EFES BREWERIES INTERNATIONAL
ANNUAL REPORT 2006


EFES
TWIST OFF
Chişinău
Старый Мельник
Belo
Сокол
Zlatopramen
1642
VITANTA
CLASSIC
Красный Восток
Солодов
EXPORT
Bavaria
HOLLAND
Warsteiner
EINE KÖNIGIN UNTER DEN BIEREN
Карагандинское
PILS PLUS
WEIFERT
Ак Барс
Зајечарско пиво

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General **Overview**

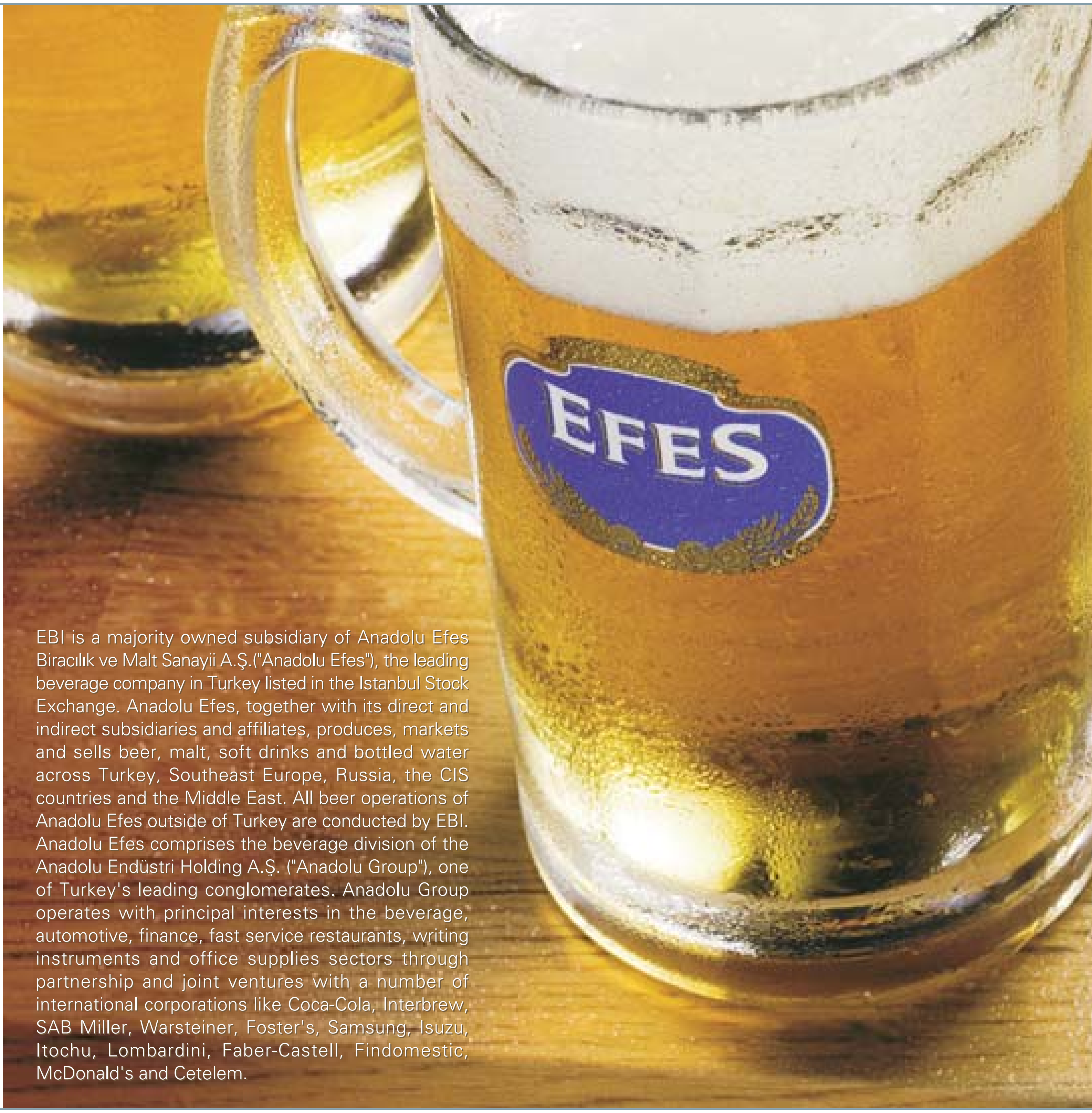
Efes Breweries International N.V. ("EBI"), registered in the Netherlands, together with its subsidiaries and affiliates, operates across the Commonwealth of Independent States ("CIS"), Eastern Europe and the Balkans. EBI is listed in the London Stock Exchange ("EBID") with a free float of approximately 30%.

Having commenced its operations in 1999 with two breweries in Kazakhstan and Russia, EBI's current operating territory consists of Russia, Moldova, Kazakhstan and Serbia, where the Company has ten breweries with a total annual brewing capacity of 23.8 million hectoliters ("mhl") and an annual malt production capacity of 139, 000 tonnes.

EBI's operating territories include some of the largest or fastest growing beer markets in Europe and Eurasia, all of which possess significant potential for further growth due to their improving macroeconomic trends and consequently higher purchasing power as well as the low base of per capita beer consumption across these countries.

In order to capitalise on such growth potential in line with its target to be among the leading brewers in each of its operating markets, EBI increases the capacities of its existing brewing facilities, establishes additional breweries through strategic acquisitions or greenfield projects and expands its distribution network.

EBI strategically focuses to capitalise on the synergies of being available in all the developing beer segments, which includes the most profitable and/or fastest growing segments as well as the largest segments in the beer markets where EBI operates. EBI seeks to have a brand portfolio that provides an effective coverage of the beer segment spectrum with its brands marketed across all profitably growing segments. EBI's current long-term strategic goal is to become one of the worldwide leading beer systems with core strengths generated in Eurasia, which defines the current operating territory of EBI.



EBI is a majority owned subsidiary of Anadolu Efes Biracılık ve Malt Sanayii A.Ş.("Anadolu Efes"), the leading beverage company in Turkey listed in the Istanbul Stock Exchange. Anadolu Efes, together with its direct and indirect subsidiaries and affiliates, produces, markets and sells beer, malt, soft drinks and bottled water across Turkey, Southeast Europe, Russia, the CIS countries and the Middle East. All beer operations of Anadolu Efes outside of Turkey are conducted by EBI. Anadolu Efes comprises the beverage division of the Anadolu Endüstri Holding A.Ş. ("Anadolu Group"), one of Turkey's leading conglomerates. Anadolu Group operates with principal interests in the beverage, automotive, finance, fast service restaurants, writing instruments and office supplies sectors through partnership and joint ventures with a number of international corporations like Coca-Cola, Interbrew, SAB Miller, Warsteiner, Foster's, Samsung, Isuzu, Itochu, Lombardini, Faber-Castell, Findomestic, McDonald's and Cetelem.

At a **Glance**

Key Statistical Data on EBI

Income Statement [1]		2005	2006	% Change
Net Sales	m USD	481	639	33%
Operating Profit	m USD	50	55	11%
Operating Profit Margin	(%)	10%	9%	
Depreciation and Amortization (Including Amortization of Goodwill)	m USD	41	57	38%
Net Income	m USD	20	21	2%
Net Income Margin	(%)	4%	3%	
EBITDA[2]	m USD	95	113	18%
EBITDA Margin	(%)	20%	18%	
Balance Sheet [1]				
Cash & Cash Equivalents at end of the year	m USD	97	164	69%
Total Assets	m USD	780	1,529	96%
Shareholder's Equity	m USD	383	763	99%
Total Financial Debt	m USD	111	472	326%
Net Financial Debt / EBITDA	multiple	0.14	2.73	
Other Data				
Beer Sales Volumes [3]	m hectoliters	8.91	11.70	31%
Capital Expenditure (Gross) [4]	m USD	92	611	567%
Earning per Share [5]	USD	0.14	0.13	
Average Number of Employees	Number	3,955	4,872	23%

Note 1: Interbrew Efes Brewery in which Efes Breweries International held 50% stake until August 2006, is accounted for by using proportionate consolidation until the date of disposal and not included in the financial statements of Efes Breweries International thereafter.

Note 2: EBITDA here means earnings before interest (financial income/(expense) — net), tax, depreciation and amortisation, minus minority interest, and as applicable, minus gain on holding activities, plus loss on sale of PPE disposals, provisions, reserves and impairment.

Note 3: 1 Hectoliter=100 liters

Note 4: Capital expenditure means cash used in the purchase of property, plant and equipment and intangible assets and cash used for the acquisition of subsidiaries (net of cash acquired).

Note 5: Earnings per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.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LETTER TO **SHAREHOLDERS**

Our Esteemed Shareholders,

Year 2006 was pivotal in our history. In addition to maintaining the rapid organic growth of the business, we also completed the largest acquisition of EBI.

Acquisition of the Krasny Vostok Brewing Group ("KV Group") in February 2006, seventh largest brewer in Russia at the time of our acquisition, not only congealed our fourth position in the third largest beer market in the world but also underlined our commitment as a long term operator in the Russian beer market.

Following the acquisition of these strategic assets and capacity increase of our Ufa brewery, we almost doubled our brewing capacity in Russia to over 20 million hectoliters and started to supply the majority of our malt and pre-form requirements. Together with the logistics and scale benefits that we have achieved, we expect to better capitalize on the future growth potential of the market.

Integrating the KV Group in a timely efficient manner was one of the many challenges for our fast, flexible and rapid organization in 2006. The know-how, ability and the commitment of our workforce, which is an essential determinant of our profitable growth model, enabled us to finalize the integration within 2006. Looking ahead we will implement our plans to further streamline our business in Russia.

We further optimized our business portfolio in 2006. We disposed our 50% share in our Romanian beer operations to our joint venture partner InBev. We have taken a strategic decision to re-allocate the proceeds from the sale to fuel potentially higher growth in other markets despite the fact that Romania has been a successful business model since its establishment in 2000 and a positive EBITDA contributor to EBI's business.

We also acquired some of the minority shares in Moscow Efes Brewery. Russia, delivering 79% of our consolidated net sales revenue and 86% of our consolidated EBITDA in 2006 will continue to be the most important driver of EBI's current and future value, and these transactions will enable us to consolidate a higher share of our cash flows going forward.

Dear Shareholders,

In 2006 our sales volume in Russia was up 44% and, excluding the sales volume of KV Group brands, our organic volume growth was 10%. Economy segment continues to be the largest segment in the Russian beer market and our portfolio in 2006 also included the national and regional economy segment brands of the KV Group. Meanwhile, in order to better address the faster demand growth in the premium segments, in addition to the licensed brands "Bavaria Premium" and "Bavaria Malt" that were included in our portfolio in 2006, in early 2007 we launched the famous Mexican beer "Sol" as a super premium brand in Russia.

In the vibrant and fast growing Kazakh beer market, we increased our market share to 19% in 2006 from 18% in 2005 on the back of 17% annual volume growth. We increased our total brewing capacity to 1.3 million hectoliters in 2006 from 1.0 million hectoliters in 2005. By the end of 2007 we expect our brewing capacity to increase further to 2.1 million hectoliters as we will build our structure to effectively meet the demand growth in the Kazakh beer market where EBI is the number two brewer.

In Moldova we lead the market with 66% market share. In early 2007 we sold our soft drink brands, which were acquired in 2003 through the acquisition of our brewery in Moldova, to The Coca-Cola Company. Looking ahead, we will focus on our faster growing core beer business in Moldova, which was up 17% compared to a total 12% sales volume growth of the combined business in 2006.

In Serbia, sales volume was down 10% in 2006. We are the fourth largest brewer with 13% market share. The emphasis on the development of business in Serbia resulted in our average prices to increase in 2006; however, we intend to undertake further changes to our business model in Serbia to improve the performance going forward.

Dear Shareholders,
We delivered significant top line growth in 2006 where the total sales volume and consolidated revenue grew by 31% and 33%, respectively. Excluding the contributions of the KV Group and the Romanian joint venture, underlying organic sales volume growth of the business was 10%.

Although EBITDA was up 18%, our EBITDA margin came down to 18% in 2006 from 20% in 2005; primarily as a result of the integration costs occurred in 2006, impact of the EBITDA loss in Serbia and to a lesser extent the disposal of Romanian joint venture. Looking ahead we will work towards delivery of better profitability on this new and enlarged basis of EBI.

On this front, we also kicked off an important cost saving initiative in all of our breweries in 2006, which we expect will bring forth savings on our cost base. We expect the project to start to deliver its first positive results by the end of 2007.

Dear Shareholders,
In 2006 we also conducted a capital increase for EBI. Through a Rights Issue we received US$300 million that was utilized as part of the financing program of the acquisitions within the year and enabled us to maintain our leverage in line with our management policies. Judging by the take-up in the transaction, we are grateful to have witnessed the commitment of our shareholders in our business.

Dear Shareholders,
EBI stands out among the few emerging market brewers with a dispersed asset base in Eastern Europe, Russia and the CIS, established in Western Europe with headquarters in Amsterdam and a listing on the London Stock Exchange.

With a constant focus on profitability, we expect all of our operating markets to contribute to our growth in 2007 and complete another year with strong figures.

We wish to extend the sincere gratitude of the Supervisory Board and the Board of Management to our valued shareholders for their continuous support to EBI's vision.

Sincerely

Tuncay Özilhan
Chairman of the Supervisory Board

Ahmet Boyacıoğlu
Chairman of the Board of Management

Mission, Vision & **Strategy**

Our vision is to become one of the worldwide leading beer systems with core strengths generated in Eurasia.

Our mission is

- to create maximum sustainable value for all stakeholders
- to make our flagship brand "Efes" global

In order to realize our mission and vision we will continue to pursue strategies including:

- to ensure competitive market position for each operation preferably being among top three brewing systems;
- to grow in the existing territories and expand into new territories where feasible;
- to extend the awareness and availability of our flagship brand "Efes" in the world.


ЛУЧ
СВЕТЛОГО
Старый Мельник
СВЕТЛОЕ
Старый Мельник
Сварено с душой
ПИВО
СВЕТЛОЕ

Chronology

1996 EBI founded in the Netherlands.

Efes Karaganda Brewery ("Efes Kazakhstan") was acquired through privatization by Anadolu Efes with an annual brewing capacity of 0.40 mhl.

1997 Joint venture with the government of the City of Moscow to develop maltery and brewery.

1998 Commercial production started in Romania.

Renovation of Efes Kazakhstan completed.

1999 Moscow Efes Brewery ("MEB"), the first green-field modern brewery in Moscow, established in partnership with the European Bank for Reconstruction and Development ("EBRD") and the government of the City of Moscow, commenced production with 1.5 mhl of annual brewing capacity.

Stary Melnik launched in Russia.

Production started in the malt production facility in Moscow-Russia adjacent to MEB.

2000 Romanian Efes Brewery restuctured as a 50%-50% JV with InBev, "Interbrew Efes Brewery", ("Efes Romania") established.

2002 Doubling of capacity in MEB to 3.0 mhl - 2 years ahead of schedule.

Efes Kazakhstan was acquired from Anadolu Efes by EBI.

EBI, increased its capital thereby allocating 15% of the capital to selected foreign institutional investors through a private placement in order to provide external funding to further accelerate its rapidly growing operations.

Launch of leading German brand "Warsteiner Premium Verum" produced under licence in Russia.

2003 Acquisition of the Vitanta Intravest S.A. ("Efes Moldova"), the leader of the Moldovan beer, soft drinks and water markets, located in Chisinau-Moldova with 0.8 mhl of annual brewing capacity.

Production commenced in Rostov, the new green-field brewery in Russia with 1.0 mhl of annual brewing capacity.

Production commenced in the brand new brewery in Almaty-Kazakhstan with 0.6 mhl of annual brewing capacity.

Acquisition of the Amstar Brewery located in Ufa, in the Urals region of Russian Federation, with 1.2 mhl of annual brewing capacity.

Acquisition of the Pancevo Brewery in Serbia, located on the outskirts of Belgrade ("Efes Weifert") with 0.4 mhl of annual brewing capacity.

2004 Production capacity of the MEB increased to 4.5 mhl.

Acquisition of the second brewery in Serbia, located in Zajecar ("Efes Zajecar") with 1.0 mhl of annual brewing capacity.

Initial Public Offering of EBI and listing of GDRs in the London Stock Exchange with a free float of approx. 30%.

2005 Launch of the Czech brand, Zlatopramen, produced under licence in Russia.

Total beer production capacity of EBI increased to 11.8 mhl following the capacity increases in its Ufa and Rostov plants in Russia to 2.0 mhl and 1.2 mhl, respectively, and in Chisinau plant in Moldova to 0.9 mhl.

2006 Acquisition of the Krasny Vostok Brewing Group ("KV Group") in Russia completed with 10.0 mhl of annual brewing and 93.000 tonnes malt production capacities.

Acquisition of the 19.9% minority shares in MEB completed, increasing the effective ownership of EBI in Moscow Brewery to 90.9%.

USD500 million syndication loan sourced jointly with Anadolu Efes, of which EBI utilized USD300 million, in order to finance KV Group acquisition and purchase of minority shares in MEB.

Launch of "Bavaria Premium" and "Bavaria Malt" produced under licence in Russia.

Total beer production capacity of EBI increased to 23.8 mhl following the capacity increases in Russia to 20.2 mhl and in Kazakhstan to 1.3 mhl.

EBI's 50% share in Efes Romania was sold to Inbev.

Capital increase by USD300 million through a Rights Issue, in which both Anadolu Efes and EBI's public minority shareholders participated.

Launch of Mexican beer "SOL" produced under licence in Russia.

2007 Mr. Alejandro Jimenez has been appointed as the new CEO and the Chairman of the Board of Management of EBI.

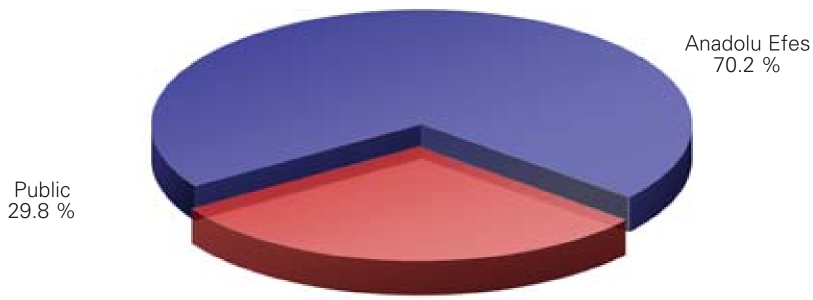
Efes Moldova's soft drink brand called "Viva" as well as "Real" brand of bottled water was sold to The Coca-Cola Company.

COMPANY PROFILE

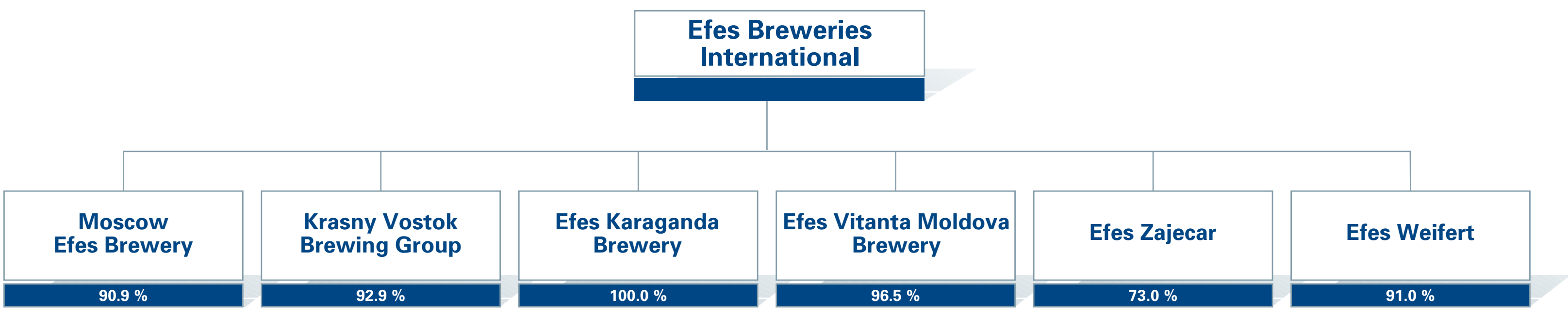
Shareholding and **Group Structure**

Anadolu Efes owns 70.2% share in EBI and the remaining 29.8% is publicly held.

GDRs (EBID), each representing 5 ordinary shares of EBI, are traded in the London Stock Exchange.



Group Structure



Note: Does not include Efes Romania in which EBI disposed of its 50% stake in August 2006.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Operating **Territories**


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RUSSIA
CHINA
EFES
Efes Breweries International's
Production Facilities

Board Members and Chief Operating Officers

Back row | Mr. Serdar Bölükbaşı, Mr. Demir Şarman, Mr. Hurşit Zorlu, Mr. Alejandro Jimenez, Mr. Osman Mut, Mr. Ahmet Boyacıoğlu
Front row | Sir David Logan, Mr. Gauthier de Biolley, Mr. Tuncay Özilhan, Mr. Ali Tigrel.

Ahmet Boyacıoğlu
CEO & Chairman of the Board of Management - until March 6th 2007

Mr. Boyacıoğlu, joined Efes Beverage Group (Anadolu Efes) in 1973. Between 1973 and 2005, he served in a number of positions, including President - Strategy & Business Development, President - Beer Divisions, President - International Beer Divisions and President - Eastern Europe Divisions of Efes Beverage Group, General Manager of Ege Biracılık, General Manager of Güney Biracılık, Sales Manager and Regional Sales Manager of Ege Biracılık. In May 2005 Mr. Boyacıoğlu was appointed as the President of Efes Beer Group and the CEO of EBI. Following his retirement in February 2007, Mr. Boyacıoğlu serves as a consultant in Anadolu Efes Board of directors. Mr. Boyacıoğlu has graduated from Middle East Technical University - Ankara, Faculty of Administrative Sciences with a Bachelor of Science degree in Management.

Alejandro Jimenez
CEO & Chairman of the Board of Management - effective March 6th 2007

Mr. Jimenez started his career in 1973 at The Coca-Cola Company and he held various top management positions since 1981; as Region Director-Central America, Region Director-Caribbean, Vice President and Director of Marketing Operations- Latin America at The Coca-Cola Company. In 1991 he was appointed as of President and CEO at Panamco Mexico which is the largest subsidiary of PANAMCO, largest bottler in Latin America and second largest bottler in the world, and in 1994 as the President, COO and Member of the Board of Directors at PANAMCO until 2001. Mr. Jimenez was serving as a management consultant for the consumer goods companies in Mexico until February 2007. On March 6th 2007 Mr. Jimenez was appointed as the Chief Executive Officer (CEO) and Chairman of the Board of Management of EBI. Mr. Jimenez has a Bachelor of Science degree in Chemical Engineering from University of Texas.

Hurşit Zorlu
Member of the Board of Management

Mr. Zorlu, joined Anadolu Efes in 1984, and currently serves as a member of the Company's board of management and is the chief financial officer and investor relations director of Anadolu Efes . Mr. Zorlu is also a member of the boards of directors of various Anadolu Efes subsidiaries, including Coca-Cola İçecek, Efes Moldova, Efes Kazakhstan and Coca Cola bottling companies operating in Kazakhstan, Azerbaijan and the Kyrgyz Republic, Rostov Beverage, Anadolu Efes Technical Management and Consultancy N.V. (''AETMC'') and Efes Holland Technical Management and Consultancy B.V. (''EHTMC'').

Demir Şarman
CFO & Member of the Board of Management

Mr. Sarman, joined Anadolu Efes in 1997, and currently serves as a member of the board of management and chief financial officer of EBI. Mr. Sarman is also a member of the board of directors of Efes Kazakhstan, Efes Russia, Efes Moldova, Efes Serbia, AETMC and EHTMC. Mr. Şarman is a Certified Public Accountant and prior to joining Anadolu Efes, served as a senior auditor for Arthur Andersen in Turkey.

Carlos P.M. Roelofs
Member of the Board of Management

Carlos P.M. Roelofs was appointed on June 1, 2006 as CEO of Fortis Intertrust, The Netherlands. From 1992 up to 1997, he has worked in Baker & McKenzie Law Office in Amsterdam. Later on, he was employed as a Director of Mees Pierson Intertrust and was amongst other, responsible for the setup in this period of Mees Pierson Management Services in Denmark between 1998 and 2001. Starting from 2001, Mr. Roelofs was employed as a Director of Axa Schade N.V. up to 2002. From 2002 to 2004 he was employed as CEO of First Alliance Trust. He studied law and graduated from University of Amsterdam and has an MBA degree from Nyenrode University

Mr. Tuncay Özilhan

Chairman of the Supervisory Board

Mr. Özilhan studied in the Saint-Joseph Lycee in İstanbul, graduated from İstanbul University, Faculty of Economics and received his MBA from Long Island University in the United States. He has assumed such responsibilities as General Director of Erciyas Biracılık, General Coordinator of the Anadolu Endüstri Holding Beer Group, and General Coordinator of the Anadolu Endüstri Holding. Mr. Özilhan also serves as the Chairman of Efes Pazarlama, Tarbes, Coca-Cola İçecek A.Ş., Alternatifbank, Anadolu Cetelem, Adel Kalemcilik and Ülkü Kırtasiye. Besides Honorary Consul of the Republic of Estonia, Mr. Özilhan served as the President of TÜSİAD (Turkish Industrial and Businessmen's Association) for three years and is the President of the Efes Pilsen Sports Club.

Sir David Logan

Member of the Supervisory Board

Sir Logan joined EBI in 2004. He is also Director of the Centre for Studies in Security and Diplomacy at Birmingham University, where he is an Honorary Professor in the School of Social Sciences. Formerly a member of the British Diplomatic Service, Sir David was British Ambassador to Turkey between 1997 and 2001. He also worked at the British Embassy in Ankara between 1965 and 1969. Between 1989 and 1992 Sir David was Minister at the British Embassy in Moscow and between 1995 and 1997 Minister at the British Embassy in Washington. He was assistant Under Secretary of State for Defence Policy between 1994 and 1995 and for Central and Eastern Europe between 1992 and 1994.

Dr. Ali Tigrel

Member of the Supervisory Board

Dr. Ali Z. Tigrel is a graduate of the Imperial College of Science, Technology, Medicine and Management and holds M.Sc. and Ph.D. degrees in chemical engineering. Dr. Tigrel has 15 years of experience in the Turkish Petrochemical Corporation (PETKIM) at various levels, serving as chairman of the Board of Directors between 1989-1991. Dr. Tigrel served in State Planning Organization between 1984-1991 and between 1991-1993 served as an advisor to Koç Group of companies in addition to providing consultancy to other local and international companies. In 1993, Dr. Tigrel was appointed as ambassador-at-large and chief advisor to the Prime Minister for EU Affairs. He was assigned as chairman of the EU Coordination Council which supervised Turkey's preparations for the Customs Union. Dr. Tigrel is the chairman and principal shareholder of TCI Consultancy Inc. in Ankara. He is also the founder and chairman of ATM International Consultancy Inc. in Istanbul. His board memberships include Nortel Networks Netaş, Anadolu Endüstri Holding, Anadolu Efes and Alternatif Bank.

Christos -Alex Komninos

Member of the Supervisory Board

Mr. Komninos, a Chemical Engineer, is a graduate of I.T.U. Polytechnic School in Istanbul, Turkey. Mr. Komninos has worked as managing director of Coca-Cola Bottlers Ireland (subsidiary of Helenic Bottling) until 1990, then he had held various positions within Helenic Bottling Company S.A., including managing director from 1995 to 2000. He then became the Executive Vice Chairman of Shelman S.A. And Elmar S.A.

Mr. Gauthier de Biolley

Member of the Supervisory Board

Mr. de Biolley studied Law and Economics at Université de Louvain, Belgium and attended the Stanford Directors Program. He currently manages Eiger Ventures, an advisory firm that specializes in strategy and business development. He is also an independent board member at Spaten KgaA, a real estate company based in Munich, Germany. Between 2000 and 2006, Mr. de Biolley worked as Senior Vice President responsible for External Growth at InBev leading the team in charge of managing the external growth strategy and executing all M&A transactions for the group worldwide. At InBev, he also served as head of the business unit comprising the markets of France, Holland, Spain and Cuba.

Mr. Serdar Bölükbaşı
Chief Operating Officer - Russia and CIS Beer Operations.

Mr. Bölükbaşı began his career in Anadolu Efes in 1984 as Budgeting and Finance Specialist. He left the group in 1988 to set up and manage Wimpy Restaurants' Turkey operations as Operations Manager. He joined back to Anodolu Efes as Project Development Manager in 1990 and served as Marketing Coordinator from 1994 to 1998 and General Manager of Efes Pazarlama ve Dağıtım Ticaret A.Ş. (EFPA) from 1998 to1999 and served as General Director of Turkey Beer Division. In September 2005 Mr. Bölükbaşı was appointed as the Chief Operating Officer of Russia and CIS Beer Operations. Mr Bölükbaşı has a Bachelor of Science degree in Economics from Middle East Technical University. He has also completed the professional management program at the Ohio State University.

Mr. Osman Mut
Chief Operating Officer - South Eastern Europe Beer Operations

Mr. Mut has joined Anadolu Efes in 1982 as Sales Supervisor of İzmir Brewery. He worked as Dealers Chief at Izmir Brewery between 1988 and 1992, Sales Manager at Ankara Brewery between 1992 and 1995, and Sales Manager at Izmir Brewery in 1996, respectively. Before his assignment at Turkey Beer Operations as Operations Director in 1999, he worked as Deputy General Manager at Ankara Brewery between 1996 and 1999. Mr. Mut worked until September 2005 as the General Director of Developing Beer Operations until he was appointed as the Chief Operating Officer of South Eastern Europe Beer Operations. Mr. Mut has a Bachelor of Science degree in Industrial Engineering from Aegean University.

For further information about Supervisory Board, its functions and committees please refer to "Supervisory Board" section (pg: 38)

Commitees and Committee Members

Audit Committee
Mr. Gauthier de Biolley, Chairman
Dr. Ali Tigrel, Member

Remuneration Committee
Sir David Logan, Chairman
Mr. Tuncay Özilhan, Member
Mr. Christos -Alex Komninos, Member

Selection and Appointment Committee
Mr. Tuncay Özilhan, Chairman
Mr. Christos -Alex Komninos, Member
Sir David Logan, Member

Corporate Governance Committee
Mr. Christos -Alex Komninos, Chaiman
Sir David Logan, Member
Mr. Gauthier de Biolley, Member

Organization **Structure**

CEO*
Ahmet Boyacıoğlu

Efes Beer Group Support
Marketing,
Human Resources
Technical
Logistics and Procurement
Business Development

CFO
Demir Şarman

Russia & CIS Beer Operations COO
Serdar Bölükbaşı

Southeastern Europe Beer Operations COO
Osman Mut

Russia Operations General Director
Tuğrul Ağırbaş

GM Kazakhstan
Osman Çağlayan

GM Moldova
Iakov Tichman

GM Serbia
Dinç Alkın

** Following the retirement of Mr. Ahmet Boyacıoğlu, Mr. Alejandro Jimenez has been appointed as the CEO of EBI, effective from March 6th 2007.*


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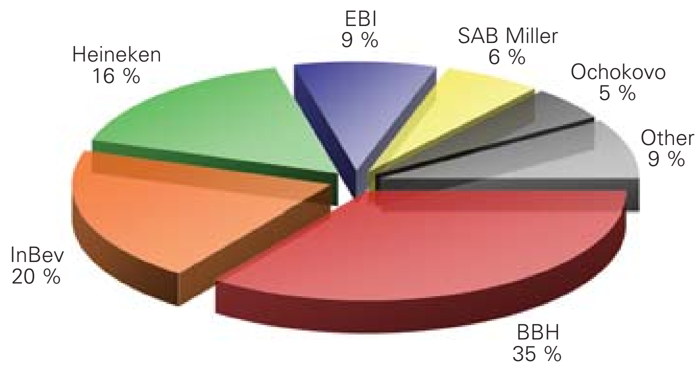
OPERATIONS

With an annual consumption of 95.7 mhl, Russia is the world's third largest beer market as of end of 2006[1]. Russia's annual beer consumption per capita was 65 liters[2] for 2006, which was below that of the Western European average of 74 liters[3], accentuating the upside that exists in the Russian market, especially in light of the rising per capita income levels and shifting consumer preferences away from hard liquor towards beer. Despite the 15% CAGR Russian beer market has achieved since 1996, the potential for further growth has attracted some of the major international brewers to Russia and paved the way for continuing consolidation of the market, as a result more than 85% of the Russian beer market is shared by international brewers as of end of 2006[4]. Further growth is expected in the Russian beer market between 2006-2011 with a CAGR of 4%[5].

EBI has fortified its 4th position in the Russian beer market with the acquisition of KV Group in February 2006 and in the period between January-December 2006 EBI's volume market share in Russia was 9%[6].

Market Share By Volume



Source: AC Nielsen YTD December 2006

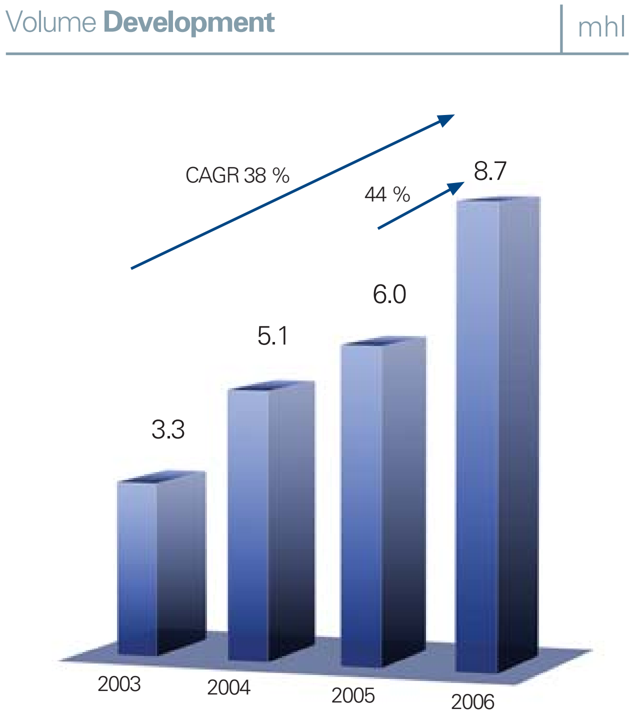
1) Canadian Global Beer Trends 2006
2) Company estimates
3) Canadian Global Beer Trends 2006
4) AC Nielsen YTD December 2006
5) Canadian Global Beer Trends 2006
6) AC Nielsen YTD December 2006

Commencing its operations in Russia with one brewery in Moscow and 1.5 mhl annual brewing capacity in May 1999, EBI currently has 5 breweries in Russia (Moscow, Ufa, Rostov, Kazan and Novosibirsk) and a total of 20.2 mhl annual brewing as well as 139.000 tonnes malt production capacity. Through the acquisition of the KV Group in 2006, EBI further enhanced its competitive advantage in the market to capitalize on further growth opportunities in the Russian beer market. In addition to eliminating future capacity constraints, KV Group acquisition strengthened EBI's foothold in the Volga and emerging Eastern regions also allowing for significant cross-brewing potential.

The four malt production facilities with a total malt production capacity of 139.000 tonnes per annum, suffices to a large extent Efes Russia's annual malt requirement, the main ingredient of beer, thereby providing an effective control over its cost base against price volatility. The same comparative advantage is also apparent in the pre-form production capacity of 1.3 million units per day, providing Efes Russia with the key raw material used in PET bottles.

As part of EBI's strategy to capitalize on the synergies associated with being available in developing beer market segments, EBI established itself as a strong player in all segments of the Russian beer market, with a diverse product portfolio including licensed brands in the premium and super premium segments. Mexican beer "SOL" was introduced in the Russian beer market in early 2007 and positioned in the super premium segment alongside the German "Warsteiner" brand. In the premium segment EBI expanded its presence by adding "Bavaria Premium" among its other brands; "Efes", "Zlatopramen" and "Amsterdam Navigator". In EBI's brand portfolio "Stary Melnik" is positioned in the upper mainstream segment, "Sokol" in the lower mainstream segment and "Beliy Medved", "Krasny Vostok" and "Zhigulevskoe" in the economy segment.

In Russia, which delivered 73% of EBI's total sales volume in 2006, total sales volume was up by 44% over 2005, by reaching 8.7 mhl. Excluding the sales volume of KV Group brands, organic sales volume increase in Russia was 10%.



Sales Volume pre consolidation adjustments

Krasny Vostok **Brewing Group**

Through the acquisition of the KV Group in Russia in February 2006, EBI, in addition to increasing its production capacities, proved its commitment to this high potential beer market and solidified its competitive position.

KV Group, the 7th largest brewing group in Russia as of end of 2005[1] had two breweries in Kazan and Novosibirsk as well as three malteries in Kazan. The combined annual capacity of the breweries is 10 mhl and the malteries is 93.000 tonnes. In addition, a preform production capacity of 1.3 million units per day provides EBI with a key raw material used for PET bottles.

The KV Group acquisition has enabled EBI to effectively overcome the capacity constraints which could have occured as a result of the expected future demand growth in Russia. Another competitive advantage brought forth by the acqusition is the opportunity for a more effective cost control while expanding its operations in a larger geography. Currently EBI is able to supply a majority of its own malt and pre-form requirements in Russia.

Another strategic importance of the KV Group acquisition is the strengthening of EBI's foothold in Eastern regions, which possess significant growth potential as a result of their lower average per capita beer consumption compared to the Russian average.

In a relatively short period of time following the acquisition, as the acquired breweries' good conditions permitted, cross brewing started for all of EBI's brands, except for the licenced brands. EBI also restructured KV Group's sales and distribution system and integrated into its own.

The product portfolio of KV Group was analyzed and evaluated to maximize the strategic value enhancement. In 2006 relaunches of "Zhigulevskoe" and "Krasny Vostok" brands were completed, both of which are positioned in the economy segment, thereby expanding EBI's product portfolio in the largest segment of the Russian beer market.

EBI was able to integrate the KV Group into its Russian business within 2006, thereby allowing the synergies to arise immediately.

1) AC Nielsen YTD December 2005


CLASSIC
EFES
1642
Zlatopramen
СОЛОДОВ


4,8%
Белый
Медведь
светлое пиво

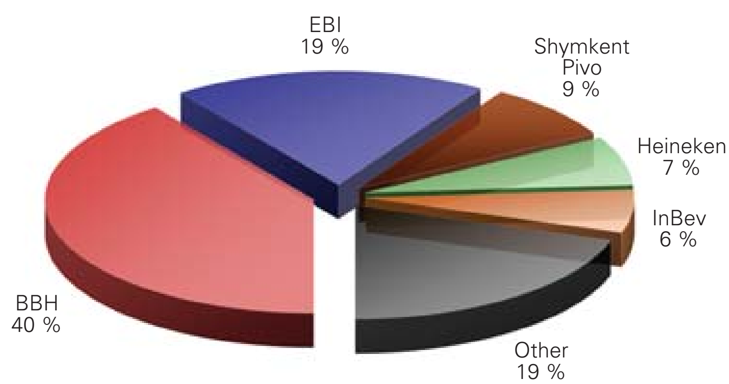

EFES

Kazakh beer market with total consumption at 4.7 mhl in 2006 has been growing with a CAGR of 18% since 1996[1]. In line with the strong consecutive economic growth of the country and an improvement in life standards, per capita beer consumption has risen from 26 in 2005 to 31 in 2006[2].

Notwithstanding the historical growth of the market, per capita consumption in the market is still well below the comparable averages hence possessing further growth potential combined with the favorable demographics and macroeconomic factors as evidenced by the expected 12% CAGR in the Kazakh Beer market between 2006 - 2011[3].

EBI commenced its operations in Kazakhstan with the Karaganda Brewery, which was acquired in 1996. Later, in order to meet the increasing demand in the market, the construction of the Almaty Brewery started and production commenced in 2003. Currently EBI operates with two breweries in Kazakhstan and a total brewing capacity of 1.3 mhl per annum, up from 1.0 mhl a year earlier in order to meet the high demand growth. The annual capacity is 0.8 mhl at the Almaty Brewery and 0.5 mhl at the Karaganda Brewery.

Market Share by Volume



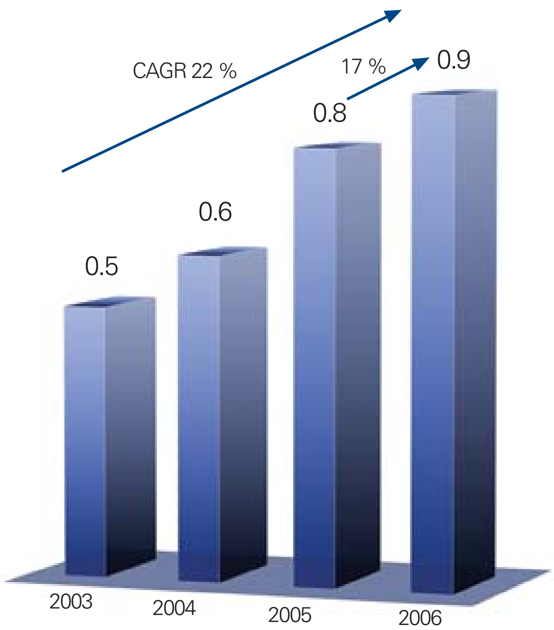
Source: AC Nielsen December 2006

EBI was the second largest brewer in Kazakhstan with market share by sales volume of 19% in 2006.[4]

EBI's brand portfolio currently consists of seven brands appealing to different market segments: "Karagandinskoe" is sold as a mid-priced local brand, "Stary Melnik", "Sokol" and "Beliy Medved" are sold as local premium brands while "Efes Pilsener", "Warsteiner" and "Bavaria Premium" are sold as super premium brands. "Karagandinskoe" which accounted for 79% of Efes Kazakhstan's sales volume in 2006, is the second most consumed brand in the beer market.

In 2006 EBI's sales volume in Kazakhstan increased by 17% over the previous year, reaching 0.9 mhl.

Volume Development | mhl



1) Canadean Global Beer Trends 2006
2) Canadean Global Beer Trends 2006
3) Canadean Global Beer Trends 2006
4) AC Nielsen December 2006

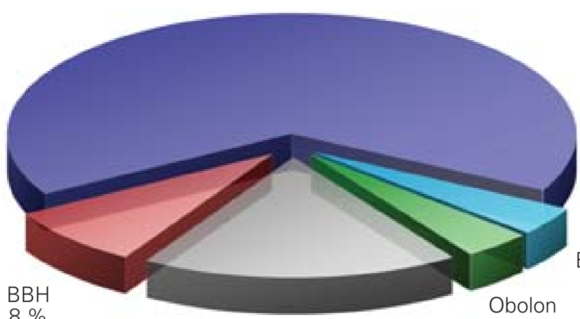
The Moldovan beer industry has realized a solid CAGR of 14% between 1996 and 2006, reaching 1.1 mhl annual beer consumption level in 2006. Yet the low average per capita consumption level in the market makes it an attractive beer market with an expected growth of 10% annually between 2006 - 2011[1].

Efes Moldova operates a brewery in Chisinau, with a current brewing capacity of 0.9 mhl and is the leading brewer in the country with a market share of 66%.

Efes Moldova currently produces and sells six brands of beer appealing to different market segments: "Chisinau" is sold as a mainstream local brand, "Vitanta", "Vitanta Extra" and "Sokol" are sold as local premium brands, and "Efes", "Stary Melnik" and "Warsteiner" are sold as imported premium brands. "Chisinau" was the #1 brand in Moldova with 57% market share by volume in 2006[2].

1) Canadean Global Beer Trends 2006
2) MEMRB December 2006

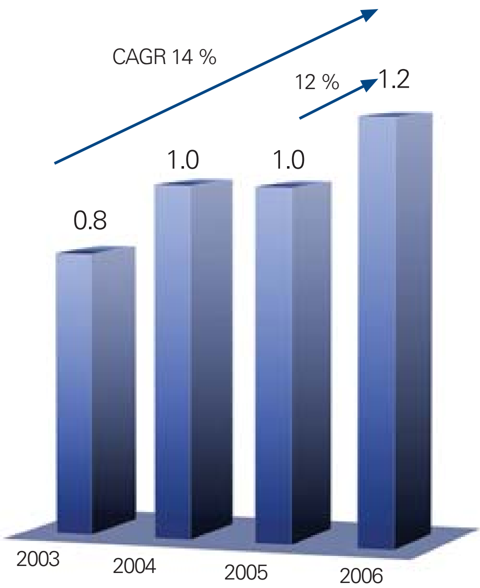
Market Share by Volume



Source: MEMRB December 2006

In 2006 EBI's sales volume in Moldova increased by 12% over previous year, reaching 1.2 mhl, including the sales volume of "Viva" soft drink and "Real" bottled water brands which are sold to The Coca Cola Company in February 2007. These brands were acquired by EBI in 2003 through the acquisition of Efes Moldova. 2006 soft drink sales in Moldova accounted for approximately 3% and 1% of EBI's sales volume and consolidated revenue, respectively. Beer only sales volume in Moldova was up 17% in 2006 compared to previous year.

Volume Development | mhl



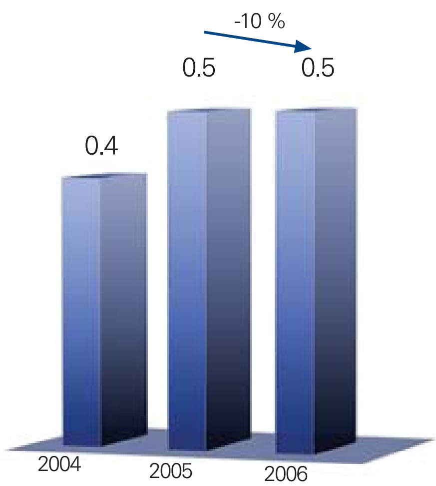
1) Canadean Global Beer Trends 2006
2) MEMRB December 2006

Serbian beer market has a significant future potential due to its strategic location in Europe. However the market is still at a transition stage as evidenced by a CAGR 1% contraction of the total consumption between 1996-2006, but higher share of international operators in the market at above 70%. The market is estimated to grow at a CAGR of 4% between 2006 and 2011.

EBI started its operations in Serbia in 2003 by acquiring the Pancevo Brewery in the outskirts of Belgrade, whose name was later changed to "Efes Weifert". In 2004 EBI acquired a second brewery in Zajecar, with an annual capacity of 1.0 mhl, thereby increasing its total capacity in the market to 1.4 mhl per annum.

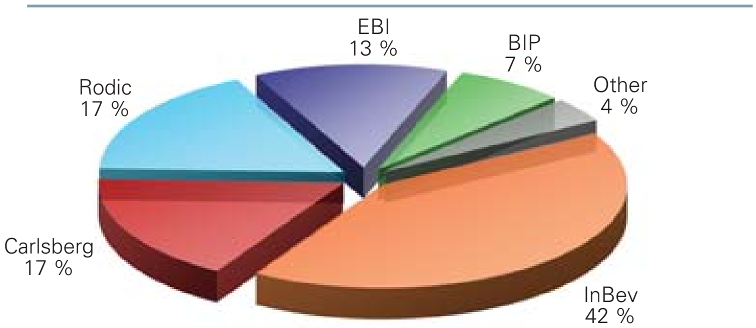
Efes Serbia produces and sells five different brands of beer, "Efes" which is positioned in the international premium segment, "Weifert" in the mainstream segment and "Pils Plus", "Standard" and "Zajecarsko" in the economy segment. In addition, Efes Serbia also sells "Miller Genuine Draft", positioned in the imported premium segment.

Volume Development | mhl



1) AC Nielsen YTD December 2006

Market Share by Volume



Source: AC Nielsen YTD December 2006

In 2006, EBI was the 4th largest brewer in Serbia, with a market, share of 13%. EBI sales volume in 2006 posted a decline of 10% compared to 2005. In order to effectively capitalize on the future potential of the Serbian beer market, EBI currently focuses on the continuous development of branding and infrastructure of its operations in Serbia.

CORPORATE GOVERNANCE

Corporate Governance in the Netherlands

On January 1, 2004 the Dutch Corporate Governance Code ("the Code") entered into force for all companies whose registered office is in the Netherlands and whose shares or depositary receipts for shares are officially listed on a government-recognized stock exchange. The Code is referred to in article 391 section 4 of Book 2 of the Dutch Civil Code. The Code is based on the principle accepted in the Netherlands that a company is a long-term form of collaboration between the various parties involved. The Code has as starting points that good entrepreneurship, including integrity and transparency of decision-making by the management board, and proper supervision thereof, including accountability for such supervision, are two pillars on which good corporate governance rests. The Code is also based on national and international best practices in corporate governance and contains principles and best practice provisions covering the management board, the supervisory board, the shareholders and general meetings of shareholders, financial reporting, auditors, disclosure, compliance and enforcement.

In general these provisions create a set of standards governing the conduct of management board and supervisory board members and shareholders. Non-application of the Code may occur in certain circumstances. However, companies subject to the Code have to explain why they do not comply with certain provisions. Explanations for non-compliance need to be inserted in the annual report and each substantial change in the corporate governance structure needs to be explained to and approved by the Annual General Meeting of Shareholders.

Corporate Governance and EBI

As of listing on 21 October 2004, EBI became subject to the Code. Though global depositary receipts representing shares in the capital of EBI were listed in the London Stock Exchange, EBI is subject to the Dutch Code because it is incorporated and registered in the Netherlands. EBI acknowledges the importance of corporate governance and has implemented most of the best practice provisions of the code in its corporate governance structure. In line with the Code, the Supervisory Board appointed from its members a Remuneration Committee, an Audit Committee and a Selection and Appointment Committee. Each of these committees is subject to internal regulations. In 2006 the Supervisory Board established a Corporate Governance Committee. For further information about the committees, please see the paragraph "Committees" in the Supervisory Board chapter.

Also internal regulations are adopted for both the Board of Management and the Supervisory Board. Included are rules for transactions that can be qualified as a transaction with a conflict of interest as defined in the Corporate Governance Code for members of the Board of Management and the Supervisory Board respectively. In 2006 Board of Management members Mr. Boyacıoğlu and Mr. Zorlu and Supervisory Board members Mr. Özilhan and Mr. Tigrel, did not participate in the voting on the pricing of the shares and global depositary receipts during the share issue in October 2006 and best practice provisions II.3.2, II.3.3 and II.3.4 have been complied with.

EBI entered into related party transactions as mentioned in clause III.6.4 of the Code, but these transactions were agreed on at an arm's length basis. Also internal rules regulating shareholdings of Supervisory Board members in Dutch listed companies have been drawn up, in order to prevent conflicts of interest.

Compliance of EBI with the Code

As mentioned before, non-application of the Code may occur but should be explained. The following is a description of the material deviations from the Code.

Best practice provision III.2.1 of the Code prescribes that the Supervisory Board consists of independent persons, except for one member. Pursuant to best practice provisions III.4.2, III.5.6 and III.5.11, the chairpersons of the Supervisory Board, the Audit Committee and the Remuneration Committee may not be former members of the Board of Management. In order to comply with these provisions, since 2004 EBI has gradually replaced its members of the Supervisory Board in order to achieve compliance with the aforementioned best practice provisions. EBI has decided on the gradual implementation of these best practice provisions in order to maintain an adequate number of persons on the Supervisory Board with knowledge of EBI's business.

Best practice provision III.1.21 stipulates that the Supervisory Board consists of independent members except for one member. Mr. Özilhan is considered as this one dependant member. Mr. Tigrel is a non-executive Board Member of EBI's shareholder Anadolu Efes. EBI endorses the best practice of the Dutch Corporate Governance Code, but in a strict formal sense, Mr. Tigrel may not be regarded as an independent Supervisory Board member of EBI. However EBI does not consider Mr. Tigrel's position as a non-executive Board Member of Anadolu Efes to be a material impediment to Mr. Tigrel's independence.

Best practice provision III.4.2 states that the chairman of the Supervisory Board may not be a former member of the Board of Management. EBI does not comply with this provision and believes that it is in the best interest of EBI to maintain Mr. Özilhan as Chairman of the Supervisory Board due to his extensive knowledge of EBI's business.

Best practice provision II.1.1 of the Code stipulates that members of the Board of Management are appointed for a maximum period of four years. As members of the Board of Management are appointed by the General Meeting of Shareholders, the Articles of Association of EBI provide that the term of appointment of a member of the Board of Management will end at the closing of the first General Meeting of Shareholders to be held in the fourth year following the year the member of the Board of Management is appointed.

REPORT OF THE SUPERVISORY BOARD

Functioning and Strategy of the Supervisory Board

The Supervisory Board supervises the policies of the Board of Management as well as the general course of EBI's affairs and business. The Supervisory Board also advises the Board of Management. In performing their duties members of the Supervisory Board must serve the interests of EBI and its business enterprise as well as the interests of all of EBI's stakeholders.

The Supervisory Board has adopted Supervisory Board Rules that regulate in detail its tasks and responsibilities. Pursuant to the Supervisory Board Rules, members of the Supervisory Board are in principle appointed for a maximum term of four years. Upon expiry of the term of appointment, a Supervisory Board member can be re-appointed provided that the maximum term of being a member does not exceed three terms or twelve years, as the case may be. The General Meeting is entitled to appoint members of the Supervisory Board. The Supervisory Board is entitled to make a non-binding nomination for each vacancy. Within the Supervisory Board, the Selection and Appointment Committee prepares the proposal for a nomination.

The Supervisory Board consisted of the following members in 2006:

Mr. Tuncay Özilhan, Chairman
Sir David Logan
Mr. Ali Tigrel
Mr. Alex - Christos Komninos
Mr. Gauthier de Biolley

In order to see CVs of the Supervisory Board Members please refer to "Company Profile" section "Board Members and Chief Operating Officers" (pg: 17). The rota plan is published on the website of EBI. Former members Messrs. Yazıcı, Uysal and O'Neill resigned as of June 6, 2006. Mr. de Biolley was appointed as of 6 June, 2006.

Independence of Supervisory Board Members

The Code prescribes that the Supervisory Board consists of independent persons, except for one. On this point EBI does not fully comply with the Code. Messrs. Özilhan and Tigrel cannot be considered as independent. However EBI considers it important to maintain an adequate number of persons on the Supervisory Board with knowledge of EBI's business.

EBI has gradually replaced its members of the Supervisory Board except for the chairman, Mr. Özilhan. Mr. Tigrel is a non-executive Board Member of EBI's shareholder Anadolu Efes. EBI endorses the best practice of the Dutch Corporate Governance Code, but in a strict formal sense, Mr. Tigrel may not be regarded as an independent Supervisory Board member of EBI. However EBI does not consider Mr. Tigrel's position as a non-executive Board Member of Anadolu Efes to be a material impediment to Mr. Tigrel's independence.

Sir David Logan, Mr. Komninos and Mr. de Biolley are independent members. EBI is of the opinion that proper supervision on the Board of Management is not negatively effected by the current situation of non-independent members of the Supervisory Board.

Meetings

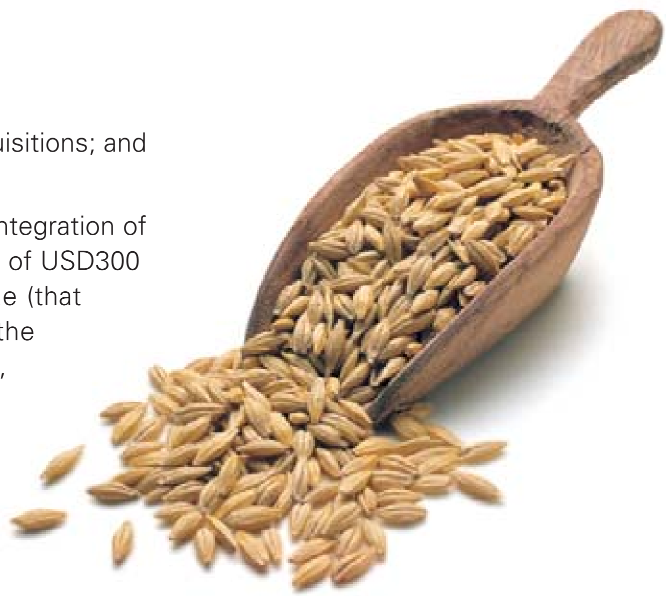
The Supervisory Board had six regular meetings and two meetings by telephone in the year 2006 with the members of the Board of Management being present. All meetings were attended by the majority of the Supervisory Board. The Supervisory Board also met on its own. Two meetings were held in Istanbul, Turkey, one meeting was held in Moscow, Russia and the other meetings were held in Amsterdam in the Netherlands.

Evaluation of the functioning of Supervisory Board

Topics of the meetings of the Supervisory Board included, but not limited to:

- EBI's general strategy, including strategic business plans;
- EBI's financial performance and financial developments;
- Corporate Governance
- The performance and internal division of tasks of the Board of Management;
- Operational development of EBI's subsidiaries;
- Discussion of business development projects as well as new investments and acquisitions; and
- The Supervisory Board's own performance.

In addition to these topics special attention was paid in 2006 to the acquisition and integration of KV Group in Russia, obtaining a bridge loan of USD500 million and a syndicated loan of USD300 million for EBI, increasing share capital with USD300 million through a Rights Issue (that together with the above mentioned syndicated loan, enabled EBI to fully repay the aforementioned bridge financing), minority buy-outs in MEB in Russia (12.4% and 7.5%, respectively), disposal of 50% shares in Interbrew Efes Brewery in Romania, starting up a Cost Benchmarking Project and establishing central sales and logistic departments. Further, special advice and emphasis was given with respect to the stategy and business plan for Serbia.



Supervisory Board Committees

In line with the Code, the Supervisory Board has created three standing committees: the Audit Committee, the Remuneration Committee and the Selection and Appointment Committee. In addition the Supervisory Board established a Corporate Governance Committee. The committees are appointed by the Supervisory Board from among its own members.

I. Audit Committee

Pursuant to the rules governing the Audit Committee, the Audit Committee is comprised of two Supervisory Board members and meets at least twice a year. Until 6 June, 2006 the Audit Committee was chaired by Mr. Mustafa Uysal, who resigned from the Supervisory Board and was replaced by Mr. Gauthier de Biolley. Mr. de Biolley was subsequently appointed to be the chairman of the Audit Committee. The other member is Mr. Ali Tigrel.

Pursuant to the rules governing the Audit Committee; the Audit Committee supervises, monitors and advises the Board of Management on risk management and control systems, annual reports, on the provision of financial information, on the role and functioning of the internal audit department, amongst other issues. The CFO was invited to attend the meetings, as well as the external and the internal auditors. The Audit Committee is obliged to hold a meeting at least once a year with the external auditor of EBI without any of the members of the EBI Board of Management and the internal auditors being present. In 2006 the Audit Committee met twice, of which one meeting was to discuss the work plan of the internal auditor. The Audit Committee met once with the external auditors of EBI in 2006 without the Board of Management. In March 2007, the Audit Committee met with the external auditors and discussed the main issues of the draft auditors' report of 2006.

II. Selection and Appointment Committee

Pursuant to the rules governing the Selection and Appointment Committee, this committee is composed of a minimum of two members. Effective as of August 23, 2004, this Committee is chaired by Mr. Tuncay Özilhan. The other members are Sir David Logan who joined the committee in July 2006 and Mr. Alex-Christos Komninos. Mr. İbrahim Yazıcı stepped down in June 2006 as member.

The Selection and Appointment Committee prepares selection criteria and appointment procedures for members of the Board of Management and the Supervisory Board. It also prepares and makes proposals for (re-)appointments.

The Selection and Appointment Committee met once in 2006. The composition of the Board of Management and the Supervisory Board was discussed. In 2006 Mr. Roelofs was appointed as member of the Board of Management, when Mr. Van Spall resigned.

Early 2007 Mr. Jimenez was appointed as member of the Board of Management, when Mr. Boyacıoğlu resigned. On June 6, 2006 Supervisory Board members Messrs. Yazıcı, Uysal and O'Neill stepped down and Mr. de Biolley was appointed as member of the Supervisory Board.

III. Corporate Governance Committee

In 2006 the Supervisory Board established a Corporate Governance Committee with the purpose to monitor the compliance of EBI with the Dutch Corporate Governance Code and to inform the Supervisory Board on this topic. The Corporate Governance Committee met once in 2006. The Corporate Governance Committee is comprised of three Supervisory Board members and is chaired by Mr. Komninos. The other members are Sir David Logan and Mr. Gauthier de Biolley.

IV. Remuneration Committee

The Remuneration Committee is comprised of three Supervisory Board members and meets at least twice a year. Effective as of 23 August 2004, the Remuneration Committee is chaired by Sir David Logan. The other members are Mr. Tuncay Özilhan and Mr. Alex-Christos Komninos, who joined the Remuneration Committee as of June 9, 2006.

Pursuant to the rules governing the Remuneration Committee, this Committee prepares proposals to be presented to the Supervisory Board concerning the general Remuneration Policy for the members of the Board of Management in order to be presented to the General Meeting of Shareholders of EBI for approval and adoption.

On 27 May 2005, the General Meeting of Shareholders approved and adopted the Remuneration Policy which was drafted by the Remuneration Committee.

The Remuneration Committee also monitors the individual remuneration of each of the members of the Board of Management and checks whether they are in line with the general Remuneration Policy as adopted by the General Meeting of Shareholders. In addition, the Remuneration Committee prepares the annual Supervisory Board remuneration report on the application of the adopted Remuneration Policy.

In 2006, the Remuneration Committee met four times to discuss remuneration of senior management in general and the remuneration report and further to assess the application of the Remuneration Policy.

Remuneration Policy of EBI

The Remuneration Policy of EBI was approved by the General Meeting of Shareholders of EBI held on 27 May, 2005. There are no changes to the Remuneration Policy.

The aim of the remuneration policy of EBI is to attract and retain talented members of the Board of Management and to achieve this aim with due observance of best practice corporate governance principles.

Elements of the Remuneration Package

The total remuneration packages of the members of the Board of Management consist of one or more of the items below, depending on the duties and responsibilities of each member:

I. Base salary, determined according to the inflation rate of each year and individual performance level.
II. Cash bonus, based on base salary or in case of non-residents, based on a pre-determined fixed amount and linked to the individual contribution to the achievement of EBI's annual targets.
III. Other benefits.

At the end of each year, the base salary of each member of the Board of Management is evaluated and adjusted for the subsequent year in the light of his or her performance scores and taking into account inflation.

The remuneration structure as adopted by the General Meeting of Shareholders on 27 May, 2005, has been maintained in the general Remuneration Policy in 2006. As a corporate policy, EBI does not provide loans to members of the Board of Management. EBI is of the opinion that the remuneration packages of its current members of the Board of Management are in line with the principles of the Corporate Governance Code. Proposals for the remuneration of any new members of the Board of Management after adoption of the general Remuneration Policy are made by the Remuneration Committee in line with this policy. In 2006 this was done for Mr. C. Roelofs and early 2007 for Mr. A. Jimenez.

Besides the base salary, members of the Board of Management are eligible to receive cash annual bonuses according to (a) the degree of realization of the targets of EBI, or Key Performance Indicators (KPIs) as explained below, and (b) individual performance. The first element, the degree of realization of targets of EBI, is derived from the "Strategic Business Plan". This plan sets the targets for the coming year and has to be approved by the Supervisory Board. Based on the Strategic Business Plan, KPIs are identified for the year. Each KPI is awarded a relative weight for the evaluation of total performance. In this way the targets of the Company are precisely made clear to the Board of Management in advance. Each year, KPI weights are re-examined and revised if needed. If a Strategic Business Plan is revised during a calendar year, the new targets and KPIs are notified to the members of the Board of Management by the Supervisory Board.

The ratio of these two components in total annual salaries was as follows in 2006:

* Non-variable component (76%)

* Variable component (24%)

It is envisaged that these ratios should remain the same in subsequent years. The factors determining the variable component of salaries do not include comparisons with peer group companies.

Other benefits granted to a member of the Board of Management may comprise a company car, a mobile telephone, rent contribution and health insurance contribution. One or more of these benefits may be included in the remuneration package, subject to the job description and responsibilities within EBI, of the Board of Management member.

Members of the Board of Management have no right to options, shares, or other variable remuneration components which are not performance related. There are no current pension schemes in the Netherlands.

There are no standard arrangements for early retirement of members of the Board of Management. In 2006 member of the Board of Management Mr. Van Spall resigned and did not receive a redundancy payment in that year.

Term of Board of Management Contracts

The type of the employment contracts of the individual members of the Board of Management is an employment contract for an indefinite period of time. The employment contracts of Mr. Boyacıoğlu, Mr. Jimenez and Mr. Zorlu are regulated in accordance with Turkish Labor Law, while the employment contract of Mr. Şarman is drafted in accordance with Dutch Labor Law. The services of Mr. Van Spall (until July 28, 2006) and Mr. Roelofs (as of July 28, 2006) were rendered through a special assignment service contract. Terms of notice of termination, dismissal and redundancy terms vary according to seniority and in accordance with the applicable laws governing the employment and assignment contracts.

For the members of the Board of Management whose contracts are being drafted and governed according to Turkish law, dismissal and redundancy payment clauses are structured according to Turkish Labor Law. For the member of the Board of Management who is employed in accordance with Dutch law, the aforementioned clauses are structured according to Dutch Labor Law.

Remuneration 2006

In order to give an impression of the application of the remuneration elements I, II and III described above, the remuneration packages of the members of the Board of Management in 2006 were made up as follows:

Mr. Sarman : elements (I), (II) and (III);
Mr. Van Spall : fixed directorship fee, to be considered as element (I).
Mr. Roelofs : fixed directorship fee, to be considered as element (I).

This application of the company's remuneration policy is intended to be maintained for the members of the Board of Management in 2007. In 2006, two members of the Board of Management did not receive any remuneration from EBI.

In 2006, the members of the Supervisory Board and the Board of Management received a total gross remuneration of USD125 thousand (2005 - USD85 thousand) and USD284 thousand (2005 - USD259 thousand) respectively.

The "Annual Report prepared under the requirements of the Netherlands' Civil Code" forms an integral part of this report. Therefore the readers of this report may refer to aforementioned report which is available on EBI's website where also the Articles of Association, the Supervisory Board Charter, Board of Management Charter, Audit Committee Charter, Selection and Appointment Charter, Remuneration Committee Charter, Insider Trading Rules, Corporate Governance Summary and Arrangement of Whistleblowers can be found (www.efesinternational.com).

The Articles of Association

EBI is listed on the London Stock Exchange since October 2004. The Articles of Association are available on EBI's web site at www.efesinternational.com.

25 April 2007
On behalf of the Supervisory Board:
Tuncay Özilhan
Chairman of the Supervisory Board


EFES
1642
Zlatopramen
СОЛОДОВ


Gold
BEER
ПИВО


EFES

BOARD OF MANAGEMENT

Board of Management

I. Functioning and Strategy of the Board of Management

Pursuant to Dutch law and pursuant to the Articles, the Board of Management is responsible for the overall management of EBI. The Board of Management has adopted Board of Management Rules that regulate in detail its tasks and responsibilities. The Board of Management acts under the supervision of the Supervisory Board. Pursuant to the Articles, members of the Board of Management are appointed for a maximum term of four years, provided that the the term of appointment will end at the closing of first general meeting of shareholders in the forth year following the year of appointment. Pursuant to the Board of Management Rules, a member of the Board of Management can be re-appointed for another four year term after the expiration of the first four year term. New members of the Board of Management are appointed by the General Meeting. The Supervisory Board is entitled to make a non-binding nomination for each vacancy. Within the Supervisory Board, the Selection and Appointment Committee makes the proposal for a nomination. In 2006 the Board of Management consisted of the following four members: Mr. Ahmet Boyacıoğlu, Chairman, Mr. Hursit Zorlu, Mr. Demir Şarman and Mr. Carlos P.M. Roelofs. As also briefed in "Company Profile" Mr. Ahmet Boyacıoğlu has retired, and subsequently on March 6, 2007 Mr. Alejandro Jimenez has replaced him.

In order to see CVs of Members of Board of Management please refer to "Company Profile" section "Board Members and Chief Operating Officers" (pg:17)

II. New Appointments

Mr. Roelofs was appointed to the Board of Management in 2006, replacing Mr. Van Spall.

III. Meetings

The Board of Management meets at least once a month and in addition whenever one or more of the members have requested a meeting. In 2006, all resolutions were passed with unaminous vote. Pursuant to the Articles, several transactions require the approval of the Supervisory Board. In 2006, all transactions subject to the approval of Supervisory Board were approved by the Supervisory Board.

IV. Evaluation of the Functioning of the Board of Management

Topics of the meetings of the Board of Management included, among other items:

- EBI's general strategy;
- EBI's day-to-day financial operations;
- Planning and monitoring the marketing strategy of EBI;
- Assisting and supervising the operations of EBI's subsidiaries;
- Investigating and execution of business development progress as well as investments and acquisitions;
- The performance and internal division of tasks of the Board of the Management.

In addition to these topics the Board of Management concentrated on the acquisition and integration of the KV Group in Russia throughout 2006. The Board of Management was also occupied with obtaining a bridge loan of USD500 million and a syndicated loan of USD300 million for EBI, increasing share capital with USD300 million through a Rights Issue (that together with the above mentioned syndicated loan enabled EBI to fully repay the aforementioned bridge financing), minority buy-outs in MEB in Russia (12.4% and 7.5%, respectively). Other significant topics of the year 2006 were disposal of 50% shares in Interbrew Efes Brewery in Romania, starting up a Cost Benchmarking Project and establishing central sales and logistic departments.

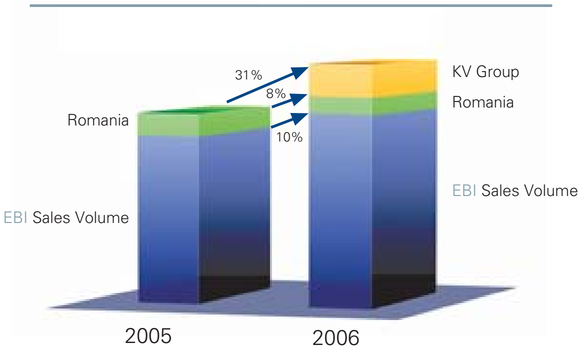
Operational Review

Sales Volumes

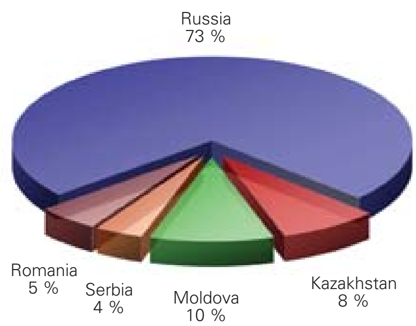
EBI's consolidated sales volume reached 11.7 million hectoliters ("mhl") in 2006, by growing 31% over the previous year. The growth was fueled by the successful organic growth in operating markets coupled with the inorganic growth contributed by the KV Group, which EBI acquired in February 2006. Excluding the sales volumes of KV Group brands, the total sales volume was up 8% in 2006.

In addition, excluding the sales volumes of Efes Romania, which EBI disposed of all of its 50% share in August 2006, from both 2005 and 2006, the total underlining organic volume growth of EBI in 2006 was 10%.

Sales Volume Development



Geographical Breakdown of Sales Volume



In the 12 months period ending December 31 2006, sales volume in Russia was up 44% over previous year. By excluding the sales volume of KV Group brands, EBI's organic growth in Russia was 10%. EBI maintained its #4 position in Russia and had 9% market share as of end of 2006 (AC Nielsen).

In Kazakhstan EBI recorded 17% sales volume growth in 2006 over previous year and gained one percent market share reaching 18% while maintaining its #2 position in the market (AC Nielsen).

In Moldova EBI's sales volume in 2006 increased by 12% over previous year, while only beer sales volume was up by 17%. As of end of 2006 EBI has 66% volume market share in Moldova (MEMRB).

In Serbia, where the sales volume was down 10% in 2006, EBI is the fourth largest brewer with 13% market share (AC Nielsen).

Net Sales

In 2006 EBI's consildated net sales revenue grew 33% over previous year and reached USD639 million. The revenue growth was ahead of the volume growth and was driven by local price increases through effective pricing policy and positive foreign currency effect, in spite of an unfavorable brand mix impact, due to increased share of economy brands in EBI's total sales.

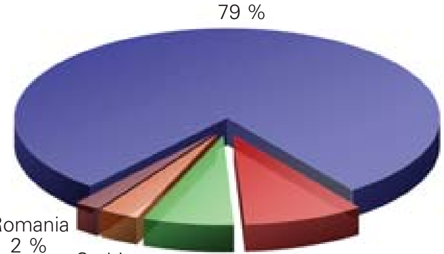
Net sales revenue in Russia in 2006 grew by 39% over 2005. Although EBI's organic revenue growth was ahead of the organic sales volume growth in 2006, EBI's average price in Russia slightly declined due to the inclusion of economy segment KV Group brands in EBI's brand portfolio.

In Kazakhstan net sales revenue in 2006 grew by 40%, mainly driven by the local price increases in the market.

Net sales revenue in Moldova increased by 13% in 2006 over previous year, outpacing the volume growth.

Although net sales revenue in Serbia declined 5% in 2006 over previous year, average prices increased in Serbia, where EBI has the intention of undertaking further changes to its business model in the market to improve the performance going forward.

Geographical Breakdown of Sales Revenue*



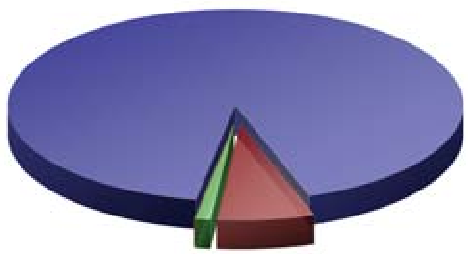
** On a consolidated basis*

Profitability

EBI's gross profit in 2006 increased 36%, faster than the revenue growth resulting in a higher gross profit margin of 49% vs 47% in 2005. The acquisition of KV Group enabled EBI to reach a lower cost base which facilitated a more effective control of costs. Moreover EBI is able to self supply a majority of its malt and pre-form requirements, following the KV Group acquisition with an additional 93,000 tonnes of malt production capacity over EBI's existing malting capacity of 46,000 tonnes, as well as a pre-form production capacity of 1.3 million units per day.

EBI's operating profit in 2006 reached USD55 million , up by 11% over 2005. EBI's marketing expenses as a percentage of net sales remained constant in 2006 vs 2005 despite the inclusion of new licensed brands "Bavaria Premium" and "Bavaria Malt" in April 2006 in EBI's brand portfolio in Russia, in addition to the relaunches of acquired KV Group Brands "Krasny Vostok" and "Zhigulevskoe". However other operating expenses including distribution, consultancy and personnel expenses increased ahead of revenues, reflecting the impact of integration of KV Group. This increase in operating expenses offset the gain on gross profit, resulting in a slight contraction in profit from operations margin of 9% in 2006 from 10% in 2005.

Gross Profit Breakdown

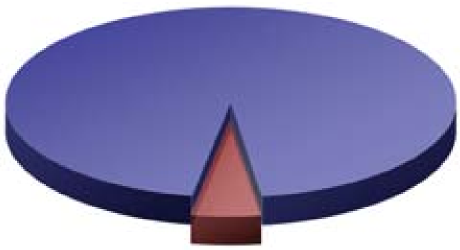


In 2006 EBI's EBITDA increased by 18% over the previous year and reached USD113 million. EBITDA margin contracted to 18% in 2006 from 20% in 2005, as a result of the integration costs occurred in 2006, impact of the EBITDA loss in Serbia and to a lesser extent the disposal of Efes Romania, a positive EBITDA contributor to EBI's business.

EBI's financial expenses were up significantly in 2006 due to the increased indebtedness owing to the financing of the KV Group acquisition and minority buy-outs in Moscow Efes Brewey ("MEB"), one of EBI's operating subsidiaries in Russia. The increase in the interest expense was partly offset by the USD9 million foreign exchange gain in the period, which is fully attributable to the depreciation of USD (EBI's reporting currency) versus Euro and major local currencies where EBI operates.

As a result, EBI's net income in 2006 increased by 2% over the previous year and reached USD21 million.

EBITDA Breakdown



Net Financial Debt

EBI's net financial debt was USD308 million as of 31.12.2006 vs USD14 million as of 31.12.2005. The increase in the level of net financial debt was due a Bridge Loan Facility in the amount of USD500 million utilized for the funding of KV Group acquisition and minority buy-outs in MEB. The Bridge Loan Facility was refinanced in September 2006 by means of a 3 year syndicated term loan amounting to USD300 million. EBI utilized the syndicated term loan to partly repay the Bridge Loan Facility. In November 2006, EBI conducted a USD300 million capital increase in the form of a Rights Issue to existing shareholders. USD200 million of the proceeds of the Rights Issue was used to repay the balance of the Bridge Loan Facility.

Acquisitions, Disposals and Capex

In February 2006, EBI acquired 92.3% of KV Group located in Russia, with a total cash consideration of USD366.7 million. Later in June 2006, EBI additionally acquired 0.5% of KV Group from minority shareholders for a total cash consideration of USD1.6 million.

In February, EBI acquired 12.4% minority shares in MEB from Amsterdam Brewery Investments B.V., for a total cash consideration of USD108.9 million and increased its shareholding in MEB to 83.4%.

In August 2006, EBI sold all of its 50.0% stake in Efes Romania to its JV partner InBev for a cash consideration of USD26.6 million.

In October 2006, EBI acquired an additional 7.5% of MEB from EL & EL for a total cash consideration of USD88.5 million, thereby increasing its shareholding in MEB to 90.9%.

In December 2006, EBI acquired another 7.5% of share capital in Efes Weifert by cash contributions to its share capital through a capital increase and accordingly increased its share up to 91.0%.

In addition to acquisition, EBI increased the annual brewing capacities in Russia and Kazakhstan to 20.2 mhl and 1.3 mhl, respectively.

Marketing

EBI views its brand portfolio as a key asset, as management believes the image of a brand and its message are essential elements in a consumer's choice of beer. EBI seeks to have a brand portfolio that comprehensively covers the principal beer segments in which it operates, principally the premium, mainstream and economy segments. EBI focuses on those segments in the Territories that offer growth in sales without prejudicing profitability. Management believes that local positioning of its brands is a key element in facilitating better understanding of, and responses to, the needs of local consumers. With respect to Efes brand, marketing efforts are coordinated with the

marketing strategy of Anadolu Efes and are aimed at reinforcing the image of the brand as a premium international beer. EBI focuses on capitalising on the synergies associated with being available in developing beer market segments. Depending on the specific markets these may include the most profitable and/or fastest growing segments as well as the largest segments in the beer markets in which EBI operates. Each operating company funds all marketing activities within its Territory, both in respect of the Efes licensed brand and its local brands.

EBI markets its brands extensively in each of the Territories (Russia, Kazakhstan, Moldova and Serbia) through a broad range of marketing channels, including, among others, television, billboard and radio advertising and consumer promotions. EBI also sponsors high profile sports, music festivals and other special events, thereby giving broad exposure to the local brands and to Efes brand. Sponsorships include the promotion in certain Territories of the "Efes Pilsen" basketball team by Anadolu Efes, which ranks number one in terms of total number of championships won in the Turkish basketball league and has enjoyed consistent success in the European Championships. From 2003 to 2005, Efes Russia sponsored the World and European Ice Figure Skating Championship with the Efes brand. In Russia, Efes Russia also promotes the Stary Melnik brand through sponsorship of the national football (soccer) team. In 2005, Efes Moldova promoted the Chisinau brand through sponsorship of the Moldovan National Olympic Team and in 2006 through the organization of Youth Sport Federation. In addition to sports sponsorships, the Operating Companies sponsor cultural events such as music concerts, which attract widespread media attention and reach a broad base of consumers.

The operating companies also organise on-premise promotional activities, conduct regular point-of-sale visits, and arrange special promotions for key accounts.

Efes Beer Group Support

EBI receives management support from the Efes Beer Group ("EBG") and the benefit of administrative services including the provision of management systems, strategic planning and procurement services (such as assistance in the selection of raw materials and ensuring that sufficient supplies of any required raw materials are available, which includes the procurement of raw materials from abroad in the event that raw materials are not available through customary domestic channels). EBI also receives from the EBG, marketing, distribution and sales services, (including assistance with customer service, statistical analysis and market research and assistance in developing and evaluating established and new markets), human resources management services and training as well as technical support. The relationship between EBI, its operating subsidiaries and EBG are formalised through certain long-term management support agreements.

Forecast for the Next Year

Despite the 13% CAGR of the beer markets in the past 10 years in the territories in which EBI operates, per capita beer consumption levels, which is below comparable averages along with favorable demographics and the increasing disposable income levels are expected to contribute to the expected 4% annual further growth in EBI's operating markets in the next 5 years (CAGR 2006-2011E/ Canadean). EBI is committed to deliver organic volume growth ahead of the projected growth in its operating markets while delivering strong top line growth, with a focus on improved profitability. Accordingly special emphasis will be put on the cost saving initiative, which was kicked off in all of EBI's breweries in 2006. This project is expected to bring forth savings on EBI's cost base and to start to deliver its first positive results by the end of 2007.

EBI plans to maintain its competitive market position amongst the leading brewers in each of the markets in which it conducts its operations, to grow its beer operations throughout its existing markets and expand into new compatible markets where feasible.

Risk Profile

The following presentation analyses significant strategic, operational, financial and regulatory risk factors. The information does not purport to be exhaustive and is not listed in order of priority. Additional risks and uncertainties not presently known to EBI, or that EBI currently deems immaterial, could also have an adverse effect on its business.

Strategic risks

A Decline in Consumer Demand

Demand for beer depends on several factors including demographic factors, weather conditions and consumer preferences as well as factors relating to discretionary consumer spending, including the general condition of the economy and general levels of consumer confidence, particularly in emerging markets. Reduced consumption of beer in any of the Territories could have a material adverse effect on EBI.

Economic Deterioration or Instability

The governments of the Territories have at times implemented policies of economic reform and stabilisation. These policies have, for example, involved liberalising prices, reducing defence expenditure and subsidies for state-owned enterprises, privatising state-owned enterprises, reforming the tax and bankruptcy systems, and introducing legal structures designed to permit private, market-based activities and foreign trade and investment. At the same time depending

on the improvements in the macroeconomic conditions of the countries in these territories, the level of average disposable income in the Territories have improved. Given the high correlation between average disposable income and per capita consumption in developing markets, changes in the macroeconomic conditions could have substantial impact on the beer market in EBI's territories.

Operational risks

Business Growth

Management expects that, in line with trends in Western Europe and other parts of the world, consolidation of the beer industry will continue and even accelerate in the Territories. EBI's ability to participate in the consolidation of the beer industry in the countries in which it operates, in order to benefit from further economies of scale, better satisfy customer needs and compete effectively against other international brewers, will depend upon its ability to assess, and to adjust its rate of expansion in accordance with the demand for beer products within the Territories and other parts of the CIS, the Balkans and Eastern Europe. Although to date EBI has been able to manage successfully the growth of its business, if EBI is unable to manage growth effectively, including, among other things, by finding qualified management or deploying and replicating its business model and technical infrastructure, its business or financial condition could be materially adversely affected.

An Increase in the Prices of the Certain Commodities and Raw Materials

EBI purchases commodities and raw materials for the production of beer. These commodities and raw materials include barley, malt, aluminium cans and PET containers and, to a lesser extent, corn grits, rice and hops. Although EBI produces malt in large quantities the subsidiaries depend to varying degrees on third party supplies of malt. The prices of all these commodities can fluctuate widely and are determined by global supply and demand and other factors over which EBI may not have control. EBI rarely engages in hedging of raw material costs. Accordingly, any increase in commodity and raw material prices could have a direct and significant impact on EBI's costs, which could have a material adverse effect on EBI.

Acquisitions and Business Integration

EBI's strategy includes growth through acquisitions. In making decision to acquire a business, EBI makes certain judgments as to the future prospects of the business and its integration into EBI's business based on the findings of due diligence process. Such judgments relate to the future growth and stability of the economy, the stability of the government, positive and negative consumer trends towards consumption of beer and soft drinks in the country, the introduction of new or increased competition in the market, fluctuations in exchange rates, the introduction of new laws, regulations, taxes or duties and other factors specific to each market. In addition, the integration of an acquired business into EBI's business and financial organisation is a significant process which covers a wide range of areas including technical, sales, operational, financial, information technology, human resources and legal in order to achieve the alignment of the acquired business with EBI's operations. Whilst integrations to date have been progressed in line with Management's expectations, any negative impact from any of these factors could materially adversely affect the performance of the acquired business and that of EBI.

Financial risks

Cash Generation and External Financing

The planned development of EBI's business and implementation of its proposed investment programme are dependent on EBI's ability to generate sufficient cash flow from its operations and to obtain bank or other debt financing on acceptable terms or raise additional equity finance to fund such programme. Although EBI's current investment programme consists principally of capital expenditures necessary to maintain and effect moderate capacity increases at its existing operations, EBI is constantly evaluating acquisition opportunities that would require significant additional resources. If EBI generates insufficient cash flow or cannot access other financing alternatives including but not limited to additional capital to fund its planned expenditures, some or all of its planned investments may be significantly delayed or abandoned. Any such delay or abandonment could have a material adverse effect on EBI.

Fluctuations in the Exchange Rates

EBI operates through its subsidiaries in Territories and U.S. Dollar is the functional and presentation currency of the group. Foreign currencies play a significant role in the economies of the Territories. The significant part of cash outflows related to financing activities as well as some part of accounts payable balances are hard currency denominated, while cash inflows are primarily denominated in national currencies of the Territories. Consequently, any significant decline in the value of the measurement currencies of the subsidiaries against U.S. Dollars could have a negative effect on the subsidiaries' financial position and results of their operations.

Regulatory risks

Legal System

Risks associated with the legal systems of the Territories include, to varying degrees (I) inconsistencies between and among laws including tax legislation, presidential decrees, edicts, and governmental and ministerial orders and resolutions; (II) conflicting local, regional and federal rules and regulations; (III) the lack of judicial or administrative guidance on interpreting the applicable rules; (IV) the untested nature of the independence of the judiciary and its immunity from economic or political influences; (V) the relative inexperience of jurists, judges and courts in interpreting recently enacted legislation and complex commercial arrangements; (VI) a high degree of discretion on the part of governmental authorities; (VII) variability in the interpretation and application of tax laws and regulations by the respective tax authorities and (VIII) a lack of binding judicial precedents. Such immaturity of legal systems, processes and practice could adversely affect EBI's business or financial condition.

Tax Environment

Legislation and regulations regarding taxation and foreign currency transactions in most of the territories in which the EBI operates continue to evolve as the governments manage the transformation to a market-oriented economy. Various regulations are not always clearly written and their interpretation is subject to the opinions of the local, regional and national tax authorities, the Central Bank and Ministry of Finance. Tax declarations, together with other legal compliance areas (for example, customs and currency control matters) are subject to review and investigation by a number of authorities, who are enabled by law to impose significant fines, penalties and interest charges. Although management believes that it has paid or accrued all taxes that are applicable, these facts create tax risks in the territories in which EBI operates substantially more than typically found in countries with more developed tax systems.

Excise Duties and Other Taxes on Beer

As a part of regulation of the beer industry, the beer sales in the territories are subject to taxation and government surcharges that include excise and value-added taxes, which from time to time changes. Imposition of, or increases in, excise or other taxes on beer could negatively affect the brewing industry with increased prices for consumers. Reduced consumption of beer in any of the Territories could have a material adverse effect on EBI.

Restrictions on Beer Advertising, Sales or Consumption

The implementation of restrictions on, or the prohibition of, beer advertising in the mass media or certain sales channels could have a material adverse effect on the results of operations of EBI. For example, in August 2004, Russia passed legislation placing restrictions on beer advertising. Those restrictions include, among other things, a ban on the broadcasting of beer commercials on television and radio between 7 a.m. and 10 p.m., a prohibition on the promotion of beer as being "crucial in achieving success in sports and personal life" and a prohibition on the use of images of people or animals on beer advertising. The provisions of the new law took effect on 5 September 2004, with the exception of the restriction on the use of images of people or animals, which became effective on 1 January 2005. Kazakhstan has also imposed a complete prohibition, which became effective on 1 January 2004, on alcohol advertising in the mass media. As a result of this legislation, growth in each of those beer markets could be materially adversely affected, and new product development could become more challenging, which could have a material adverse effect on EBI. In addition, in April 2005, Russia passed legislation which among other things, places restrictions on the sale and consumption of beer in certain public places (including sports and cultural organisations) and imposes a minimum age of 18 years on the purchase of alcoholic beer. Although EBI's management believes that such legislative changes in Russia have not yet materially affected its operations, financial condition, or results, there cannot be any assurance that these or any other changes will not have such an effect in the future.

Internal Risk Management

Internal risk management principally enables EBI to run its operations effectively, to keep the reliability of the financial reporting and to comply with laws and regulations. Internal risk management consists of several interrelated components and is an integrated part of the management process. The internal risk management and control systems are adequate and effective with a reasonable level of assurance, although such systems can never provide absolute assurance. EBI continuously reviews and adopts its internal risk management and control systems to respond to the changing risk profile and dynamic growth.

Strategic Business Planning is a key element to monitor the achievement of business objectives. The approved strategic business plans of the operations set the operational and financial objectives. Such objectives include key performance indicators which provide the basis to monitor actual performance compared to the targets. The procedures of internal control systems which are designed to provide reasonable assurance for the successful flow of activities such as sales, production, marketing, supply chain and finance are already in place or are being improved.

EBI prepares its financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by European Union. Operations prepare their financial reports based on EBI's accounting policies and presentation standards. External auditors report on the consolidated financial statements and their explanatory footnotes of EBI and its subsidiaries. This provides additional assurance on true and fair presentation of the financial reporting.

EBI operates in different countries, environments and cultures which bring varying degrees of risk and uncertainty. Due to the nature and size of the business, EBI employs a multi-layered internal control structure. Local management, under the guidance of the Board of Management, is responsible for implementing, operating and monitoring an effective internal control system, which is designed to provide reasonable assurance on integrity of the information processing, preventing loss of resources, achieving the business objectives and fair presentation of financial reporting. The Board of Management, under the supervision of the Supervisory Board and in particular its Audit Committee, oversees the effectiveness of internal risk management.

Investor Relations Function

EBI undertakes an active investor relations programme with its shareholders and the wider financial community since its listing in October 2004. The Company immediately announces the important operational developments through news releases as they occur and also gives presentations following the release of its results for existing shareholders, potential institutional investors and financial analysts. EBI also attends international conferences for the institutional investors.

All news releases announced publicly as well as copies of the presentations given are made available on EBI's website at www.efesinternational.com together with other information including but not limited to operations, financial performance and corporate governance.

In 2006, EBI presented its results quarterly through conference calls with institutional investors and financial analysts. During 2006, EBI attended five conferences organized abroad and together with the individual one-on-one meetings, collectively had around 260 face-to-face contacts with investors, shareholders and analysts.

FINANCIAL STATEMENTS

Consolidated Financial Statements
Together With Auditors' Report
December 31, 2006

Efes Breweries International N.V.
and its Subsidiaries

* To maintain the integrity of the audit report, pages are numbered starting with "1"

Table of Contents

Auditors' **Report**

To the Board of Directors
and the Shareholders of
Efes Breweries
International N.V.
AMSTERDAM

Report on the consolidated financial statements

We have audited the consolidated financial statements for the year 2006 of EFES Breweries International N.V., Amsterdam, which comprise the consolidated balance sheet as at December 31, 2006, the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flow for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of EFES Breweries International N.V. as at December 31, 2006, and of the result and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the consolidated financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, March 30, 2007

for Ernst & Young Accountants

C.N.J. Verhart

As at December 31, 2006
(Currency - Thousands of U.S. Dollars unless otherwise indicated)

Consolidated **Balance Sheet**

ASSETS

	Notes	2006	2005
Current assets			
Cash and cash equivalents	4	**163,861**	96,860
Trade and other receivables	5	**49,630**	38,032
Due from related parties	29	**3,475**	5,395
Inventories	6	**97,913**	55,183
Prepayments and other current assets	7	**56,422**	27,237
Total current assets		**371,301**	222,707
Non-current assets			
Investments in securities	10	**1,575**	1,678
Property, plant and equipment	8	**628,550**	343,602
Intangible assets	9	**514,969**	209,209
Deferred tax assets	24	**10,699**	1,044
Prepayments and other non-current assets		**2,246**	2,179
Total non-current assets		**1,158,039**	557,712
Total assets		**1,529,340**	780,419

The accompanying policies and explanatory notes on pages 7 through 39 form an integral part of these consolidated financial statements.

LIABILITIES AND EQUITY

	Notes	2006	2005
Current liabilities			
Trade and other payables	11	**145,770**	149,466
Due to related parties	29	**22,148**	20,497
Income tax payable		**1,694**	746
Short-term borrowings	12	**138,156**	50,511
Current portion of long-term borrowings	12	**22,294**	18,653
Total current liabilities		**330,062**	239,873
Non-current liabilities			
Long-term borrowings-net of current portion	12	**311,108**	41,484
Deferred tax liability	24	**12,260**	13,104
Other non-current liabilities	13	**103,886**	78,242
Total non-current liabilities		**427,254**	132,830
Equity			
Issued capital	14	**237,488**	156,921
Share premium	14	**319,318**	101,626
Currency translation reserve	14	**75,520**	14,532
Retained earnings		**130,367**	109,759
Equity attributable to equity holders of the parent		**762,693**	382,838
Minority interest		**9,331**	24,878
Total equity		**772,024**	407,716
Total liabilities and equity		**1,529,340**	780,419

The accompanying policies and explanatory notes on pages 7 through 39 form an integral part of these consolidated financial statements.

For the year ended December 31, 2006
(Currency - In thousands of U.S. Dollars unless otherwise indicated)

Consolidated **Statement of Income**

	Notes	2006	2005
Revenue		**638,929**	481,223
Cost of revenue	16	**(328,843)**	(253,190)
Gross profit		**310,086**	228,033
Selling and marketing expenses	17	**(180,613)**	(128,230)
General and administrative expenses	18	**(73,801)**	(47,277)
Other operating income / (expense)	19	**(287)**	(2,821)
Profit from operations		**55,385**	49,705
Financial income	22	**14,453**	3,036
Financial expense	22	**(41,007)**	(16,938)
Profit before tax		**28,831**	35,803
Income tax	23	**(7,419)**	(16,828)
Profit after tax		**21,412**	18,975
Attributable to:			
Equity holders of the parent company		**20,608**	20,122
Minority interests		**804**	(1,147)
		21,412	18,975
Earnings per share (in full U.S. Dollars)			
Basic	15	**0.13**	0.14
Diluted	15	**0.13**	0.14

The accompanying policies and explanatory notes on pages 7 through 39 form an integral part of these consolidated financial statements.

For the year ended
December 31, 2006
(Currency - In thousands of U.S. Dollars unless otherwise indicated)

Consolidated **Statement of Changes in Equity**

Attributable to the Equity Holders of the Parent Company						Minority Interests	Total Equity
	Share Capital	Share Premium	Currency Translation Reserve	Retained Earnings and	Total		
Balance at January 1, 2005	**156,921**	**101,626**	**30,886**	**91,931**	**381,364**	**73,144**	**454,508**
Foreign currency translation	-	-	(16,354)	-	**(16,354)**	(1,777)	**(18,131)**
Effects of group restructuring (Note 3)	-	-	-	(2,294)	**(2,294)**	(193)	**(2,487)**
Total income and expense for the year recognized directly in equity	-	-	(16,354)	(2,294)	**(18,648)**	(1,970)	(20,618)
Net profit for the year	-	-	-	20,122	**20,122**	(1,147)	**18,975**
Total income and expense for the year	-	-	(16,354)	17,828	**1,474**	(3,117)	**(1,643)**
Dividends of subsidiaries	-	-	-	-	-	(901)	**(901)**
Additions through subsidiaries acquired	-	-	-	-	-	487	**487**
Effect of puttable instruments	-	-	-	-	-	(45,018)	**(45,018)**
Capital increase at subsidiaries	-	-	-	-	-	283	**283**
At December 31, 2005	**156,921**	**101,626**	**14,532**	**109,759**	**382,838**	**24,878**	**407,716**
Foreign currency translation	-	-	68,813	-	**68,813**	2,549	71,362
Recognition of currency translation reserve (Note 3)	-	-	(7,825)	-	**(7,825)**	-	**(7,825)**
Issue of share capital	80,567	217,692	-	-	**298,259**	-	**298,259**
Total income and expense for the year recognized directly in equity	-	-	60,988	-	**60,988**	2,549	63,537
Net profit for the year	-	-	-	20,608	20,608	804	**21,412**
Total income end expense for the year	-	-	60,988	20,608	**81,596**	3,353	**84,949**
Dividends of subsidiaries	-	-	-	-	-	(604)	**(604)**
Additions through subsidiaries acquired	-	-	-	-	-	(18,564)	**(18,564)**
Dividends paid to put option holder	-	-	-	-	-	268	**268**
At December 31, 2006	**237,488**	**319,318**	**75,520**	**130,367**	**762,693**	**9,331**	**772,024**

▸▸The accompanying policies and explanatory notes on pages 7 through 39 form an integral part of these consolidated financial statements.

For the year ended December 31, 2006

(Currency - In thousands of U.S. Dollars unless otherwise indicated)

Consolidated **Cash Flow Statement**

	Notes	2006	2005
Cash flows from operating activities			
Profit before tax		**28,831**	35,803
Adjustments to reconcile net income to net cash provided by operating activities			
Gain on sale of joint venture and subsidiary	25	**(1,779)**	(1,046)
Depreciation and amortisation	21	**57,082**	41,384
Provision for bad debt	18	**134**	1,060
Provision for inventories	19	**1,834**	1,832
Income recognised from reversal of provision for bad debt		**(687)**	(47)
Income recognised from reversal of provision for inventories		**(148)**	(664)
Impairment in property, plant and equipment	19	**70**	1,445
Reserve for vacation pay liability		**1,221**	756
Other non-cash items		**(1,290)**	698
Loss from disposal of property, plant and equipment	19	**813**	691
Amortised borrowing costs		**208**	-
Interest income	22	**(5,685)**	(3,036)
Interest expense	22	**38,415**	6,487
Net income adjusted for non-cash items		**119,019**	85,363
(Increase)/decrease in inventories		**(19,286)**	(8,353)
(Increase)/decrease in trade receivables		**(8,417)**	(10,679)
(Increase)/decrease in due from related parties		**(6,397)**	(253)
(Decrease) / increase in trade and other payables		**24,780**	(4,715)
Increase/(decrease) in due to related parties		**2,524**	6,511
(Increase)/decrease in other current assets		**(12,769)**	(7,420)
Decrease /(increase) in other non-current assets		**(1,733)**	4,036
Increase/(decrease) in other non-current liabilities		**(1,123)**	17
Taxes paid		**(10,920)**	(11,712)
Net cash provided by operating activities		**85,678**	52,795
Cash flows from investing activities			
Purchase of property, plant and equipment and other intangible assets	8&9	**(124,193)**	(89,865)
Proceeds from sale of property, plant and equipment		**3,196**	867
Acquisition of subsidiary, net of cash acquired	25	**(486,665)**	(1,755)
Disposal of subsidiary & investment, net off cash sold	25	**26,706**	-
Capital increases of subsidiaries from minority shareholders		**-**	283
Dividends paid to minority shareholders		**(604)**	(901)
Net cash used in investing activities		**(581,560)**	(91,371)
Cash flows from financing activities			
Net increase /(decrease) in short-term debt		**16,706**	16,197
Proceeds from long-term debt		**296,283**	8,642
Repayment of long-term debt		**(27,087)**	(20,856)
Proceeds from issuance of share capital	14	**80,567**	-
Increase in share premium	14	**217,692**	-
Interest received		**5,331**	3,101
Interest paid		**(30,654)**	(6,380)
Net cash provided by financing activities		**558,838**	708
Currency translation differences		**4,045**	64
Net increase / (decrease) in cash and cash equivalents		**67,001**	(37,808)
Cash and cash equivalents at beginning of year		**96,860**	134,668
Cash and cash equivalents at end of year		**163,861**	96,860

The accompanying policies and explanatory notes on pages 7 through 39 form an integral part of these consolidated financial statements.

Notes to **Consolidated Financial Statements**

1. General

Efes Breweries International N.V. (the Company) was incorporated in the Netherlands on October 2, 1996. The registered address of the Company is Strawinskylaan 1227, 1077XX Amsterdam, the Netherlands.

The Company offered its ordinary shares, each with a nominal value of EUR 1 per share, in the form of global depositary receipts (GDR's) representing an interest in five shares constituting 12,594,228 GDR's. The GDR's have been listed on the London Stock Exchange.

The parent of the Company is Anadolu Efes Biracılık ve Malt Sanayii Anonim Şirketi (Anadolu Efes-the Parent Company). Anadolu Efes is a Turkish Corporation, which was established in Istanbul in 1966. The operations of Anadolu Efes consist of production of beer and its raw materials. Certain shares of Anadolu Efes are listed on the Istanbul Stock Exchange.

The consolidated financial statements of the Company for the year 2006 were authorised for issue by the directors on March 27, 2007.

Nature of Activities of the Company/Group

The Company acts as a Dutch Holding company, facilitating investments in breweries.

For the purpose of the consolidated financial statements, the Company and its consolidated subsidiaries are referred to as "the Group".

List of Subsidiaries

The subsidiaries included in consolidation and their shareholding percentages at December 31, 2006 and December 31, 2005 were as follows:

(Currency - In thousands of U.S. Dollars unless otherwise indicated)

Notes to **Consolidated Financial Statements**

	Place of Incorporation	Principal Activities	Effective Shareholding and Voting rights % December 31, 2006	December 31, 2005
CJSC "Moscow-Efes Brewery" (Efes Moscow) (iii) (iv)	Russia	Production and marketing of beer	**90.85**	71.00
JSC "Amstar" (Amstar) (i)	Russia	Production of beer	**90.85**	71.00
ZAO Efes Entertainment (Efes Entertainment) (i)	Russia	Entertainment	**90.85**	60.35
C.J.S.C. Rostov Beverage (Rostov Beverages) (i)	Russia	Production of beer	**90.85**	71.00
JSC "Brewing union Krasny Vostok-Solodovbeer	Russia	Production and marketing of beer	**92.85**	-
LLC "KV-SibPivCompaniya" (iv)	Russia	Production of beer	**97.53**	-
LLC "Vostok solod" (iv)	Russia	Production and malt	**92.85**	-
LLC "Krasny Vostok - Invest" (iv)	Russia	Finance	**92.85**	-
LLC "T'sentralny Torgovy Dom Krasny Vostok" (iv)	Russia	Trading House	**92.85**	-
CJSC "MTD Krasny Vostok" (iv)	Russia	Trading House	**92.85**	-
CJSC "Samarskii Torgovyii Dom Krasny Vostok" (iv)	Russia	Trading House	**92.85**	-
CJSC "Saratovskii Torgovyii Dom Krasny Vostok" (iv)	Russia	Trading House	**92.85**	-
CJSC "Ufimskii Torgovyii Dom Krasny Vostok" (iv)	Russia	Trading House	**92.85**	-
LLC "Barnaulskii Torgovyii Dom Krasny Vostok" (iv)	Russia	Trading House	**92.85**	-
LLC "Volgogradskii Torgovyii Dom Krasny Vostok" (iv)	Russia	Trading House	**92.85**	-
LLC "Voronezhskii Torgovyii Dom Krasny Vostok" (iv)	Russia	Trading House	**92.85**	-
LLC "Ekaterinburgskii Torgovyii Dom Krasny Vostok" (iv)	Russia	Trading House	**92.85**	-
LLC "Kemerovskii Torgovyii Dom Krasny Vostok" (iv)	Russia	Trading House	**92.85**	-
LLC "Krasnodarskii Torgovyii Dom Krasny Vostok" (iv)	Russia	Trading House	**92.85**	-
LLC "Krasnoyarskii Torgovyii Dom Krasny Vostok" (iv)	Russia	Trading House	**92.85**	-
LLC "Kurskii Torgovyii Dom Krasny Vostok" (iv)	Russia	Trading House	**92.85**	-
LLC "Nizhegorodskii Torgovyii Dom Krasny Vostok" (iv)	Russia	Trading House	**92.85**	-
LLC "Nizhnekamskii Torgovyii Dom Krasny Vostok" (iv)	Russia	Trading House	**92.85**	-
LLC "Novosibirskii Torgovyii Dom Krasny Vostok" (iv)	Russia	Trading House	**92.85**	-
LLC "Omskii Dom Krasny Vostok" (iv)	Russia	Trading House	**92.85**	-
LLC "Permskii Torgovyii Dom Krasny Vostok" (iv)	Russia	Trading House	**92.85**	-
LLC "Sankt-Peterburgskii Torgovyii Dom Krasny Vostok" (iv)	Russia	Trading House	**92.85**	-
LLC "Tomskii Torgovyii Dom Krasny Vostok" (iv)	Russia	Trading House	**92.85**	-
LLC "Chelyabinskii Torgovyii Dom Krasny Vostok" (iv)	Russia	Trading House	**92.85**	-
JSC Efes Karaganda Brewery (Efes Karaganda)	Kazakhstan	Production and Marketing of beer	**100.00**	100.00
Interbrew Efes Brewery S.A. (Interbrew Efes) (ii) (vi)	Romania	Production of beer	**-**	49.99
Efes Vitana Moldova Brewery S.A. (Efes Vitanta)	Moldova	Production and Marketing of beer, soft drinks, low alcoholic drinks and mineral water	**96.50**	96.50
Efes Weifert Brewery d.o.o (Efes Weifert) (vi)	Serbia	Production and Marketing of beer	**90.97**	83.53
Efes Zajecar Brewery d.o.o (Efes Zajecar)	Serbia	Production and Marketing of beer	**72.96**	72.96
Euro-Asian Brauerein Holding GmbH (Euro Asian)	Germany	Investment Company	**100.00**	100.00
Efes Commerce d.o.o Belgrade (Efes Commerce) (v)	Serbia	Production and marketing of beverages	**100.00**	100.00
Brewery Pivdenna CJSC (Efes Ukraine) (v)	Ukraine	Production and Marketing of beer	**100.00**	100.00
Efes Romania Industrie Si Comert S.A. (ERIC) (v)	Romania	Distribution of beer	**99.996**	99.996
Efes Productie SRL (Efes Productie) (v)	Romania	Distribution of beer	**69.70**	69.70

(i) Subsidiaries of Efes Moscow, which are consolidated under its financial statements.
(ii) Together with 0.01% shares owned by Anadolu Efes, the Company's ultimate shareholder, the Company controls 50% of Interbrew Efes.
(iii) Following revised IAS 32 (Financial Instruments: Disclosure and Presentation), a further 9.15% (2005: 21.13%) and 6.70% (2005: nil) interest has also been consolidated for Efes Moscow and KV Group, respectively. Refer to note 30 for detailed information.
(iv) Subsidiaries of KV Group, which are consolidated under its financial statements.
(v) Subsidiaries that are either dormant or in the process of being liquidated.
(vi) Refer to note 3 for detailed information.

Environments and Economic Conditions of Subsidiaries

The countries, in which the consolidated subsidiaries are operating, have undergone substantial, political and economical changes in the recent years. Accordingly such markets do not possess well-developed business infrastructures and the operations in such countries might carry risks, which are not typically associated with those in more developed markets. Uncertainties regarding the political, legal, tax and / or regulatory environment, including the potential for adverse changes in any of these factors, could significantly affect the subsidiaries' ability to operate commercially.

2. Summary of Significant Accounting Policies

General

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, which comprise standards approved by the International Accounting Standards Board (IASB). The consolidated financial statements also comply with the interpretations issued by Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) appointed by the IASC . The consolidated financial statements have been prepared based on the historical cost convention with some items are presented at fair value, as disclosed in below notes.

Changes in Accounting Policies

The Company followed the same accounting policies and methods while preparing the consolidated financial statements for the year 2006 as compared to 2005 except for the new and amended IFRS and IFRIC interpretations. These are:

IAS 1 "Presentation of Financial Statements", IAS 19 "Employee Benefits", IAS 21 "The Effects of Changes in Foreign Exchange Rates", IAS 39 "Financial Instruments: Recognition and Measurement", IFRIC 4 "Determining whether an Arrangement contains a Lease", IFRIC 5 "Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds" and IFRIC 6 "Liabilities arising from Participation in a Specific Market-Waste Electrical and Electronic Equipment"

The Company reviewed the new standards, changes to the existing standards and interpretations. They have not had any effect on the consolidated financial statements.

Basis of Preparation

The Company maintains its books and records in accordance with the requirements of the Netherlands' civil code. The subsidiaries maintain their books of account and prepare their statutory financial statements in their local currencies and in accordance with the regulations of the countries in which they operate. The consolidated financial statements have been prepared from financial statements of the Company and its subsidiaries and presented in accordance with IFRS in U.S. Dollars. In December 2000, ERIC and Efes Productie adopted a plan of liquidation and as a result changed their basis of accounting, from the going-concern basis to a liquidation basis.

Foreign Currency Translation

The Company is domiciled in the Netherlands. The Group transacts most of its business in U.S. Dollars, loans granted by the Company are denominated in U.S. Dollars, and contributions to the capital of the subsidiaries are denominated in U.S. Dollars and dividends from subsidiaries are received in U.S. Dollars.

Accordingly, the USD was determined to be the Company's functional and presentation currency which reflects the economic substance of the underlying events and circumstances relevant to the Company.

		December 31, 2006	December 31, 2005
	Local Currency	**Functional Currency**	Functional Currency
Efes Moscow	RUR	**RUR**	RUR
KV Group	RUR	**RUR**	RUR
Efes Karaganda	KZT	**KZT**	KZT
Interbrew Efes	ROL	**EUR**	EUR
Efes Ukraine	UAH	**UAH**	UAH
Efes Vitanta	MDL	**MDL**	MDL
Efes Weifert	RSD	**RSD**	RSD
Efes Zajecar	RSD	**RSD**	RSD
Euro Asian	EUR	**USD**	USD
Efes Commerce	RSD	**RSD**	RSD
ERIC	ROL	**ROL**	ROL
Efes Productie	ROL	**ROL**	ROL

The assets and liabilities of foreign subsidiaries are translated into the presentation currency of the Company at the rate of exchange ruling at the balance sheet date. The income statements of foreign subsidiaries are translated at the exchange rates existing at the dates of the transactions or a weighted average exchange rate for the year. The exchange differences arising on the translation are taken directly to a separate component of the equity. On disposal of a foreign entity, accumulated exchange differences (currency translation reserve) are recognised in the income statement as a component of the gain or loss on disposal.

Each entity within the Group translates its foreign currency transactions and balances into its functional currency by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the transaction. Exchange rate differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period or reported in previous financial statements are recognised in the income statement in the period in which they arise.

Goodwill arising on the acquisition of a foreign entity is treated as an asset of the acquiring company and is translated and recorded at the rate of exchange ruling at the balance sheet date.

Basis of Consolidation

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

The purchase method of accounting is used for acquired businesses. Subsidiaries acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or to the date of disposal.

The consolidated financial statements of the Group include Efes Breweries International N.V. and the companies which it controls. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The equity and net income attributable to minority shareholders' interests are shown separately in the balance sheets and income statements, respectively.

Investments in Joint Venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a joint venture involves the establishment of a separate entity in which each venturer has an interest.

Interbrew Efes is a joint venture which is a jointly controlled entity. Interest in Interbrew Efes is recognised by including the accounts using the proportionate consolidation basis, i.e. by including in the accounts under the appropriate financial statements headings, the Company's proportion of the joint venture in revenue, costs, assets and liabilities.

The financial statements of the joint venture are prepared for the same reporting year as the Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, if any.

An assessment of interests in joint ventures is made when there are indications that the assets have been impaired or the impairment losses recognised in prior years no longer exist.

The joint venture is proportionately consolidated until the date on which the Company ceases to have joint control over the joint venture.

Cash and Cash Equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash at bank and in hand and short-term deposits with the maturities of three months or less.

Trade and Other Receivables

Trade receivables, are recognised at original invoice amount less an allowance for any uncollectible amounts. Provision is made when there is objective evidence that the Group will no longer be able to collect the debts. Bad debts are written off when identified.

Inventories

Inventories, including work-in-process are valued at the lower of cost and net realizable value, after provision for obsolete items. Net realizable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost is determined by weighted average and first in first out methods. For processed inventories, cost includes the applicable allocation of fixed and variable overhead costs based on a normal operating capacity. Unrealizable inventory has been fully written off.

The Group sells their products in non-returnable bottles, returnable bottles and other containers. For returnable bottles, there is no deposit obligation of the Group. The Group accounts for bottles and other containers in inventory.

Available-for-sale Investments

Investments classified as available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured by alternative valuation methods are measured at cost. The carrying amounts of such investments are reviewed at each balance sheet date for impairment.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase or to sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. Land is not depreciated.

Depreciation which is calculated on straight-line basis method over the estimated useful life of the assets is as follows:

Buildings	10-40 years
Infrastructure	5-40 years
Machinery and equipment	5-20 years
Vehicles	5-10 years
Furniture and Fixtures	3-15 years
Other tangible assets	2-14 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of fair value less cost to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Cash generating units are the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognised in the income statement.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognized.

The residual value of assets, useful life and depreciation methodologies are reviewed, and adjusted if appropriate, at each financial year end.

Intangible Assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities acquired of a subsidiary at the date of acquisition, and is included under the caption of intangible assets. In 2004, IASB issued IFRS 3 "Business Combinations", revised IAS 36 'Impairment of Assets' and revised IAS 38 'Intangible Assets' which should be applied on acquisitions to the accounting for goodwill in business combinations for which the agreement date is after 31 March 2004.

In addition, starting from January 1, 2005, goodwill acquired in a business combination prior to 31 March 2004 is no longer amortised but tested for impairment annually, irrespective of whether there is any indication that it may be impaired. Goodwill arising on acquisitions after 31 March 2004 is not amortised but subject to impairment test annually. The previous version of IAS 38 was requiring that the useful life of an intangible asset can not exceed twenty years.

Goodwill is stated at cost less any impairment in value.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to the business segments which are the countries in which it operates.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Brand

The cost of brands acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, the brands are carried at cost less accumulated impairment losses, if any. The useful live for the brands is assessed to be indefinite and therefore brands are not amortised. The brands are tested for impairment annually. The useful live is reviewed annually to determine whether indefinite life assessment continues to be supportable.

Other Intangible Assets

Other intangible assets acquired separately from a business are capitalized at cost which is the fair value at the date of acquisition. Other intangible assets acquired as part of an acquisition of a business are capitalized separately from goodwill if the fair value can be measured reliably on initial recognition. Other intangible assets, excluding development costs, created within the business are not capitalized and expenditure is charged against profits in the year in which it is incurred.

Following the initial recognition, other intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Other intangible assets which are identified to have a finite useful life are amortised on a straight-line basis over the periodically reviewed best estimate of useful lives and assessed for impairment whenever there is an indication that the assets may be impaired. The carrying values of other intangible assets which are identified to have an indefinite useful life are not amortised but reviewed for impairment annually and when events or changes in circumstances indicate that the carrying value may not be recoverable.

The cost of acquisition of new software is capitalized and treated as an intangible asset if these costs are not an integral part of the related hardware. Software is amortised on a straight-line basis over 1 to 5 years.

Recognition and Derecognition of Financial Instruments

The Group recognizes a financial asset or financial liability in its balance sheet when and only when it becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial asset or a portion of financial asset when and only when the contractual rights to receive cash flows from the asset expire or the Group transfers the contractual rights to receive cash flows together with the risks of the asset or assumes a contractual obligation to pay the cash flows from a financial asset to one or more recipients under an additional agreement.

The Group derecognizes a financial liability when and only when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another liability from the same lender on substantially different terms or if the terms of the existing financial liability are substantially modified, such exchange or modification is treated as derecognition of the existing liability and the recognition of the new liability.

Borrowings

All borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised, as well as through the amortisation process.

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Leases

The Group as Lessee

Finance Lease

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating Lease

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Revenue

Revenue is recognised when the significant risks and rewards of ownership of the goods are passed to the buyer and the revenue can be reliably measured. Revenues are stated net of discounts, value added and sales taxes..

Income Tax

Tax expense/(income) is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred tax.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Government Grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to such grants, and that the grants will be received. They are recognised to income over the period to match them with the related costs that they are intended to compensate. Income relating to government grants is recognised as a deduction from the appropriate expense.

Subsequent Events

Post-year-end events that provide additional information about the Company's position at the balance sheet date or those that indicate the going concern assumption is not appropriate (adjusting events), are reflected in the accompanying consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

Use of Estimates

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet. Actual results may vary from the current estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Segment Reporting

Following the acquisition of KV group the Management has changed the primary reporting segment from business segment to geographical segments. To be comparable; prior period statements were also rearranged.

A segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment, which is subject to risks and rewards that are different from those of other segments. The Group's risks and rates of return are affected predominantly by the fact that it operates in different countries which are considered to be the primary segment and the secondary segment is the business. The Group is in a single product business and products other than beer represent less than 10% of the Group's sales.

3. Changes in Group's Organization

For the year 2006

The Company acquired 92.3% of KV Group located in Russia, in February 2006 with a total cash consideration of USD 366.7 million (including costs directly attributable to acquisition of USD 1.2 million). In June 2006, with a total cash consideration of USD 1.6 million, the Company additionally acquired 0.5% of KV Group from minority shareholders. The excess of the acquisition costs over the fair values of the net assets acquired was USD 85,481 for the initial acquisition and USD 9 for the minority buyout, and has been recognised as goodwill in the consolidated balance sheet (Refer to Note 25). The goodwill is justified by acquired market share which has consolidated the Groups existing Russian business at fourth position in the market, operational synergies, production optimisation across the Group's brewing platforms, a lower cost base through a higher sales volume and logistical advantage through more extensive geographical coverage.

Financial statements of the KV Group and its subsidiaries until 28 February 2006 had been prepared in accordance with Regulations on Accounting and Reporting of the Russian Federation (Russian GAAP). Russian GAAP differs in certain respects from IFRS. KV Group has prepared its financial statements under IFRS for the first time as of February 28, 2006 and recognised the fair values of its assets and liabilities at carrying value, in compliance with IFRS 1 "First time adoption of IFRS". Therefore, it is impracticable for the Company to disclose the information about the carrying values on the date of acquisition and the comparative figures as required by IFRS 3.

The Company has gone through a substantial integration exercise which was intended to align the KV Group business into the Company's current Russian system. The principal integration goals were focusing on deriving benefit from areas that evidence scope for rapid synergies. The previous business model of KV Group has been significantly changed through cross-brewing, sales, distribution and marketing. KV Group has commenced producing brands of Efes Moscow and Efes Moscow has commenced producing brands of KV Group. The selling and distribution model of KV Group via trading houses has been ceased and all selling and distribution activities have been transferred to Efes Moscow.

As a result, KV Group has been restructured as a production centre. Therefore, financial performance of KV Group does not reflect the contribution of the integrated business model to the consolidated income statement of the Company.

Relating to the put option granted to Amsterdam Brewery Investments B.V., the Company acquired 12.4% of Efes Moscow for a total cash consideration of USD 108.9 million and increased its shareholding percentage in Efes Moscow to 83.4% in February 2006. Following revised IAS 32, the liability for the put options was measured, and the excess of the liability for puttable instrument over the fair value of the net assets of Efes Moscow amounting to USD 81,429 was for the first time recognised as goodwill as of December 31, 2005. Due to the difference between the estimated valuation and the actual cash consideration, the Company has recognized an additional goodwill of USD 740.

In August 2006, the Company sold all of its shares in Interbrew Efes, together with Anadolu Efes to InBev. The Company received USD 26.6 million for 49.99% of the share capital of Interbrew Efes. On disposal of Interbrew Efes, an accumulated currency translation difference of USD 7,825 was recognised in the income statement as a component of the gain on sale of joint venture (Refer to Note 25).

Interbrew Efes contributed USD 13,956 (2005 - USD 18,858) and USD 2,126 (2005 - USD 4,445) to consolidated revenue and consolidated net income, respectively.

In October 2006, the Company has acquired 7.50% of Efes Moscow from EL & EL for a total cash consideration of USD 88.5 million and increased its shareholding percentage to 90.85%. For the remaining 0.39% shares owned by EL & EL, EBI has been granted a call option. The excess of fair value of net assets acquired over the purchase price was USD 68,063 and has been recognised as goodwill in the consolidated balance sheet.

In December 2006, the Company acquired another 7.47% of share capital in Efes Weifert by cash contributions to its share capital and accordingly increased its share in the subsidiaries up to 90.97%. The excess of fair value of net assets acquired over the purchase price was USD 1,674 and has been recorded as goodwill.

For the year 2005

In August 2005, the Company acquired another 20.68% and 8.56% of share capital in Efes Weifert and Efes Zajecar by share capital cash contributions and accordingly increased its share in the subsidiaries up to 83.53% and 72.96% respectively.

In September 2005, the Company acquired 41.09 % of the share capital in Efes Ukraine from OJSC Chernomor and Meinl Bank AG and increased its share in the subsidiary up to 100%. The excess of the fair value of the net assets acquired over the purchase price was USD 1,046 and has been recorded in the consolidated income statement.

In December 2005, Efes Moscow acquired all of the outstanding common stock of Rostov Beverages from Efes Sınai Yatırım Holding A.Ş. (Efes Invest) (a subsidiary of Anadolu Efes) for a cash consideration of USD 100. Both the Group and Efes Invest are under the common control of Anadolu Efes. The excess of the purchase consideration over the fair values of the net assets acquired was USD 2,294 and has been recorded as a decrease in retained earnings in the consolidated balance sheet.

4. Cash and Cash Equivalents

	2006	2005
Cash on hand	**53**	51
Banks accounts (including short-term time deposits)	**163,765**	96,780
Other	**43**	29
Cash and cash equivalents per consolidated cash flow statement	**163,861**	96,860

(Currency - In thousands of U.S. Dollars unless otherwise indicated)

Loans utilized by Efes Ukraine of USD 5,046, by Efes Karaganda of USD 17,927, by Efes Moscow of USD 18,764 and by Efes Weifert of USD 5,617 and by Efes Vitanta of USD 2,735 as of December 31, 2006 are secured with cash amount of USD 51,409 at banks (Refer to Note 12) (2005-USD 37,068).

Time deposits are made for varying periods up to three months depending on the immediate cash requirements of the Group and earn interest between 3.65% and 7.45%.

5. Trade and Other Receivables

	2006	2005
Accounts Receivable	**58,752**	40,576
Others	**1.852**	1,340
Less: provision for doubtful accounts	**(10,974)**	(3,884)
Total	**49,630**	38,032

6. Inventories

	2006	2005
Raw materials	**57,565**	31,100
Supplies and spare parts	**13,615**	10,182
Finished goods	**17,191**	9,679
Work-in-process	**7,359**	4,633
Others	**14,261**	9,078
Less reserve for obsolescence	**(12,078)**	(9,489)
Total	**97,913**	55,183

7. Prepayments and Other Current Assets

	2006	2005
Advances given to suppliers	**11,718**	13,060
VAT deductible	**37,822**	8,986
Other receivables	**7,275**	5,795
Prepaid expenses	**1,067**	551
Less provision for other receivables	**(1,460)**	(1,155)
Total	**56,422**	27,237

8. Property, Plant and Equipment

	Land	Buildings	Infrastructure	Machinery and Equipment	Furniture and Vehicles	Other Tangible Assets	Construction in Progress	2006 Total
Cost								
January 1, 2006	3,629	117,810	10,777	322,284	15,850	13,689	26,754	510,793
Additions	-	354	-	2,313	1,248	4,078	114,620	122,613
Disposals	-	(196)	(330)	(4,886)	(1,717)	(918)	(1,083)	(9,130)
Addition through subsidiary acquired	5,319	100,600	2,974	89,190	3,892	3,928	1,081	206,984
Disposal through subsidiares sold	-	(13,282)	-	(31,070)	(433)	(2,089)	(1,322)	(48,196)
Currency translation difference	705	18,308	999	36,948	1,794	889	2,109	61,752
Transfers	1,017	28,092	2,138	81,501	1,858	2,558	(117,164)	-
December 31, 2006	**10,670**	**251,686**	**16,558**	**496,280**	**22,492**	**22,135**	**24,995**	**844,816**
Accumulated Depreciation and Impairment Losses								
January 1, 2006	-	31,059	3,302	119,802	6,572	6,456	-	167,191
Depreciation for the year	-	7,097	462	43,948	2,283	2,847	-	56,637
Impairment losses	-	-	-	70	-	-	-	70
Disposals	-	(87)	(120)	(2,624)	(1,152)	(1.135)	-	(5,118)
Disposal through subsidiary sold	-	(3,330)	-	(14,408)	(265)	(799)	-	(18,802)
Currency translation difference	-	3,390	144	11,856	615	283	-	16,288
December 31, 2006	**-**	**38,129**	**3,788**	**158,644**	**8,053**	**7,652**	**-**	**216,266**
Net book value	**10,670**	**213,557**	**12,770**	**337,636**	**14,439**	**14,483**	**24,995**	**628,550**
Cost								
January 1, 2005	2,799	123,693	10,463	284,005	13,948	11,212	10,204	456,324
Additions	-	63	-	3,959	1,192	1,951	82,207	89,372
Disposals	(37)	(191)	(83)	(2,846)	(1,248)	(636)	-	(5,041)
Addition through subsidiary acquired	324	-	-	-	-	-	-	324
Currency translation difference	(114)	(8,013)	(372)	(19,021)	(1,424)	(13)	(1,229)	30,186
Transfers	657	2,258	769	56,187	3,382	1,175	(64,428)	-
December 31, 2005	**3,629**	**117,810**	**10,777**	**322,284**	**15,850**	**13,689**	**26,754**	**510,793**
Accumulated Depreciation and Impairment Losses								
January 1, 2005	-	28,738	3,290	97,453	5,840	5,093	-	140,414
Depreciation for the year	-	4,367	292	31,270	2,077	1,712	-	39,718
Impairment losses	-	549	235	746	-	(85)	-	1,445
Disposals	-	(58)	(61)	(1,873)	(920)	(571)	-	(3,483)
Currency translation difference	-	(2,537)	(454)	(7,794)	(425)	307	-	(10,903)
December 31, 2005	**-**	**31,059**	**3,302**	**119,802**	**6,572**	**6,456**	**-**	**167,191**
Net book value	**3,629**	**86,751**	**7,475**	**202,482**	**9,278**	**7,233**	**26,754**	**343,602**

As of December 31, 2005 and 2004, certain property, plant and equipment are pledged as security for short-term and long-term loans and borrowings of the Group. (Refer to Note 12).

(Currency - In thousands of U.S. Dollars unless otherwise indicated)

As of December 31, 2006 and 2005, certain property, plant and equipment are pledged as security for short-term and long-term loans and borrowings of the Group. (Refer to Note 12).

1) Equipment under finance lease

The cost of property, plant and equipment held under finance lease is USD 535 and USD 2,337 and has a net book value of USD 376 and USD 1,660 as at December 31, 2006 and 2005, respectively (Refer to Note 27).

2) Impairment losses

In 2006, a net impairment loss of USD 70 (2005: USD 1,445) was recognised (Refer to Note 19).

9. Intangible Assets

	Goodwill	Brands	Other intangible assets	**2006 Total**	Goodwill	Other intangible assets	**2005 Total**
Cost							
January 1	219,031	-	3,794	**222,825**	77,869	3,551	**81,420**
Additions	190,072	83,960	1,580	**275,612**	142,961	493	**143,454**
Disposals	-	-	(14)	**(14)**	-	(95)	**(95)**
Disposals through subsidiaries sold	-	-	(59)	**(59)**	-	-	**-**
Currency translation difference	25,203	5,715	309	**31,227**	(1,799)	(155)	**(1,954)**
December 31	434,306	89,675	5,610	**529,591**	219,031	3,794	**222,825**
Accumulated amortisation and impairment losses							
January 1	10,215	-	3,401	**13,616**	10,350	1,906	**12,256**
Amortisation for the year	-	-	445	**445**	-	1,666	**1,666**
Disposals	-	-	(14)	**(14)**	-	(48)	**(48)**
Disposals through subsidiaries sold	-	-	(59)	**(59)**	-	-	**-**
Currency translation difference	338	-	296	**634**	(135)	(123)	**(258)**
December 31	10,553	-	4,069	**14,622**	10,215	3,401	**13,616**
Net book value	423,753	89,675	1,541	**514,969**	208,816	393	**209,209**

As a Group policy, the management performs impairment test for goodwill and brands with an indefinite useful life on an annual base. Based on the impairment test for goodwill and brands, no grounds were identified for impairment charge as of December 31, 2006. The recoverable amount of cash generating units, which is determined by discounting the future cash flows, exceeded the carrying amount of the cash generating units including goodwill and brands. The goodwill of USD 407,501 was attributable to the cash generating unit in Russia and the remaining goodwill of USD 16,252 was attributable to the other cash generating units as of December 31, 2006. The brands of USD 89,675 were attributable to the cash generating unit in Russia as of December 31, 2006.

Cash flows were projected with a combination of the strategic business plans of the Company for the period 2007 till 2009 and were extrapolated for the period 2010 till 2016. Key assumptions such as country specific market growth rates, GDP per capita and consumer price indices were derived from external sources. Main estimates such as beer and resin prices, working capital requirements and capital expenditures were based on key assumptions and historical operating data. The market growth and volume growth rates were estimated to be between 18% and 3%, and 27% and 7%, respectively. The consumer price indices were estimated to be between 10% and 7%, and selling prices were estimated to increase in line with inflation. These projections were discounted at the weighted average cost of capital of the cash generating units ranged primarily between 11.0% and 15.5%.

The Company believes that all of its management estimates and key assumptions are reasonable. Any change in such estimates and assumptions arising from the subsequent facts might have an impact on recoverable amount of a cash generating units and might lead to an impairment charge.

10. Available - For - Sale Investments

	2006	2005
ZAO Mutena Maltery (Mutena Maltery)	**1,511**	1,511
Others	**64**	167
Total – non-current	**1,575**	1,678

Mutena Maltery (11.09%) is carried at cost, since it does not have a quoted market price in an active market and its fair value cannot be reliably measured by alternative valuation methods.

(Currency - In thousands of U.S. Dollars unless otherwise indicated)

Notes to **Consolidated Financial Statements**

11. Trade and Other Payables

	2006	2005
Trade accounts payable	**31,337**	20,650
Taxes payable other than income tax	**32,036**	7,860
Accrued expenses	**2,385**	452
Payable for acquired shares	**28,914**	-
Liability for puttable instrument (note 30)	**24,202**	108,168
Other short-term payables	**26,896**	12,336
Total	**145,770**	149,466

12. Borrowings

	2006	2005
Current		
Bank borrowings (including current portion of long-term borrowings)	**160,360**	67,712
Loan from Interbrew International B.V.	**-**	1,192
Finance lease liabilities	**90**	260
	160,450	69,164
Non-current		
Bank borrowings	**310,910**	40,792
Finance lease liabilities	**198**	692
	311,108	41,484
Total borrowings	**471,558**	110,648

A syndication loan amounting USD 300,000 originated in September 2006. Issue costs of USD 3,717 associated with the loan has been netted off. The amortised cost for 2006 is USD 208 and has been recognised as finance expense in income statement.

As of December 31, 2006, USD 383,203 (2005 – USD 84,965) of the total borrowings are secured with the followings:
- Cash collaterals amounting to USD 51,409.
- Efes Moscow's and Efes Karaganda's immovable and movable properties, including inventory balances; the assignment of the rights regarding insurance coverage in respect of Efes Moscow's and Efes Karaganda's property.
- 43% of Efes Moscow's shares and all shares of Efes Karaganda held by the Company.
- The ability of Efes Karaganda to declare dividends is subject to prior consent of the EBRD under the provisions of the loan agreements.
- A Corporate guarantee amounting to USD 310,000 provided by Anadolu Efes.

The effective interest rates at the balance sheet date were as follows:

	2006	2005
Bank borrowings		
Non-current		
USD and EURO denominated borrowings	**Base rate + (1.55%-3.65%)**	Base rate + (2.95%-3.65%)
		2.0%
Current		
USD and Euro denominated borrowings	**Base rate + (0.5%-2.95%)**	Base rate + 0.5%
	1.0%-7.5%	1.0%-6.3%
Other currency denominated borrowings	**Base rate 0.24%**	-
	7.9%-11.5%	6.3%-9.0%
Loan from Interbrew International B.V.	-	6.7%
Finance lease liabilities	**14.5%-15.0%**	7.0%-8.3%

Repayments of long-term debt are scheduled as follows (excluding finance lease obligation):

	2006	2005
2006	**-**	18,394
2007	**22,204**	25,770
2008	**12,834**	12,834
2009	**298,075**	2,188
Thereafter	**-**	-
	333,113	59,186

Future minimum lease payments for finance lease liabilities are as follows:

	2006	2005
Next 1 year	**139**	295
1 to 5 years	**236**	722
After 5 years	**1,040**	1,039
Total minimum lease obligations	**1,415**	2,056
Interest	**(1,127)**	(1,104)
Present value of minimum obligations	**288**	952

(Currency - In thousands of U.S. Dollars unless otherwise indicated)

13. Other Non-Current Liabilities

	2006	2005
Liability for puttable instrument	**103,100**	76,601
Others	**786**	1,641
Total	**103,886**	78,242

14. Share Capital and Reserves

	2006	2005
	Number of shares	Number of shares
Common shares, par value of EUR 1		
Authorized	**250,000,000**	250,000,000
Issued and outstanding	**211,428,569**	148,000,000

Movement in share capital

The movement of the share capital of the Company during 2006 and 2005 is as follows:

	2006		2005	
	Number of shares	**USD**	Number of shares	USD
At January 1,	**148,000,000**	**156,921**	148,000,000	156,921
Shares issued	**63,428,569**	**80,567**	-	-
At December 31	**211,428,569**	**237,488**	148,000,000	156,921

The Company conducted a share rights offering for 63,428,569 new ordinary shares, with a nominal value of EUR 1 to its existing shareholders Anadolu Efes, the Company's principal shareholder, and The Bank of New York, as depositary of the GDRs. The new ordinary shares of 18,891,340 out of for 63,428,569 new shares were offered in the form of GDRs, each representing five new ordinary shares. Anadolu Efes has participated in the share rights offering to the full extent of its holding of 70.22 per cent of the Company’s share capital. The Bank of New York has subscribed for 3,524,717 new GDRs and HSBC Bank plc has subscribed for the remaining 253,551 new GDRs.

The details of the capital increases are as follows:

Date	Number of shares issued	USD	
		At Par Value	Share Premium
November 2006	63,428,569	80,567	217,692

As at December 31, 2006 and 2005, the composition of shareholders and their respective % of ownership can be summarised as follows:

	2006	2005
Anadolu Efes	**70.22%**	70.22%
Public	**29.78%**	29.78%
Total	**100.00%**	100.00%

Currency Translation Reserve

The currency translation reserve is used to record the exchange differences arising on the translation of the financial statements of foreign subsidiaries.

15. Earnings per Share

Basic earnings per share (EPS), which is same as fully diluted EPS is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic and diluted EPS computation:

	2006	2005
Net profit attributable to ordinary shareholders	**20,608**	20,122
Weighted average number of ordinary shares	**157,036,399**	148,000,000
EPS (in full U.S. Dollars)	**0.13**	0.14

16. Cost of Revenue

Cost of revenue comprised the following expenses:

	2006	2005
Inventory used	**235,380**	184,215
Depreciation & Amortisation	**41,136**	27,748
Personnel expenses	**20,793**	13,748
Energy expenses	**16,928**	10,673
Repair and maintenance expenses	**10,206**	8,225
Other expenses	**4,400**	8,581
Total expenses	**328,843**	253,190

(Currency - In thousands of U.S. Dollars unless otherwise indicated)

17. Selling and Marketing Expenses

Selling and marketing expenses are analyzed as follows:

	2006	2005
Marketing and advertising expenses	**70,283**	52,897
Distribution expenses	**51,583**	34,955
Personnel expenses	**26,781**	17,483
Depreciation & Amortisation	**12,170**	9,068
Other expenses	**19,796**	13,827
Total expenses	**180,613**	128,230

18. General and Administrative Expenses

General and administrative expenses include the following:

	2006	2005
Personnel expenses	**28,583**	18,829
Depreciation & Amortisation	**3,776**	4,568
Consulting and legal fees and other business services	**7,367**	3,825
Taxes and duties	**8,120**	3,758
Management fees and technical assistance	**6,119**	3,324
Rent expense	**1,638**	1,470
Bad debt provision	**134**	1,060
Insurance expenses	**1,352**	806
Other expenses	**16,712**	9,637
Total expenses	**73,801**	47,277

19. Other Operating Income / (Expense)

	2006	2005
Income on sale of soda drinks	**952**	3,660
Cost of sale of soda drinks	**(854)**	(3,373)
Gain on sale of joint venture and subsidiary (Refer to Note 3)	**1,779**	1,046
Provision for obsolete inventory	**(1,834)**	(1,832)
Loss on disposal of property, plant and equipment	**(813)**	(691)
Impairment of property, plant and equipment (Refer to Note 8)	**(70)**	(1,445)
Dividend income	**173**	112
Other (expense) / income	**380**	(298)
Total other income / (expenses)	**(287)**	(2,821)

20. Personnel Expenses and Average Number of Employees

	2006	2005
Wages and salaries	**65,596**	42,377
Other social expenses	**10,561**	7,683
Total expenses	**76,157**	50,060

The average number of employees for the years was:

	2006	2005
Russia	**2,909**	1,684
Moldova	**630**	779
Kazakhstan	**668**	747
Serbia and Montenegro	**445**	511
Ukraine	**98**	108
Romania	**114**	122
The Netherlands	**8**	4
	4,872	3,955

21. Depreciation and Amortisation Expenses

	2006	2005
Property, plant and equipment		
Cost of revenue	**41,070**	27,678
Selling and marketing	**12,158**	9,058
General and administrative	**3,409**	2,982
Sub-total depreciation expense	**56,637**	39,718
Intangible assets		
Cost of revenue	**66**	70
Selling and marketing	**12**	10
General and administrative	**367**	1,586
Sub-total amortisation expense	**445**	1,666
Total depreciation and amortisation expenses	**57,082**	41,384

(Currency - In thousands of U.S. Dollars unless otherwise indicated)

22. Financial Income / (Expense)

	2006	2005
Interest income	**5,685**	3,036
Foreign currency exchange gains	**8,768**	-
Total financial income	**14,453**	3,036
Interest expense on borrowings	**(38,261)**	(6,006)
Interest expense on finance lease	**(157)**	(481)
Foreign currency exchange losses	**-**	(8,983)
Other financial expense	**(2,589)**	(1,468)
Total financial expense / (expense)	**(41,007)**	(16,938)
Net financial expense	**(26,554)**	(13,902)

Net financial expense for the years ended December 31, 2006 and 2005 is stated net of government grants. In 2006 there is no government grant received (2005 - USD 254).

23. Income Taxes

	2006	2005
Current tax expense	**(13,327)**	(11,840)
Deferred tax income/(expense) relating to the origination and reversal of temporary differences	**(5,908)**	(4,988)
Total income tax	**(7,419)**	(16,828)

The reconciliation of the total income tax to the theoretical amount is as follows:

	2006	2005
Profit before tax	**28,831**	35,803
Dividend income	**(173)**	(112)
Gain on sale of joint venture and subsidiary	**(1,779)**	(1,046)
Tax effect of loss making subsidiaries	**11,100**	14,655
Permanent differences between IFRS and statutory results	**-**	16,187
Taxable profit	**37,979**	65,487
Tax calculated at the Company's tax rate of 29,6% in 2006 and 31.5% in 2005	**(11,242)**	(20,628)
Impact of different tax rates in other countries	**3,622**	5,251
Non deductible expenses	**(3,332)**	(2,915)
Over provided in prior years	**1,895**	533
Utilization of previously unused tax losses	**1,619**	3,820
Effect of tax incentives	**1,350**	40
Tax losses carried forward	**495**	-
Change in tax rate	**(63)**	(442)
Other reconciling items	**(1,763)**	(2,487)
Total income tax	**(7,419)**	(16,828)

24. Deferred Taxes

Components of deferred tax assets and liabilities are as follows:

	Assets		Liabilities		Net	
	2006	2005	**2006**	2005	**2006**	2005
Accruals	**9,792**	7,475	**-**	-	**9,792**	7,475
Inventory	**342**	345	**(160)**	27	**182**	372
Tax loss carried forward	**10,305**	3,307	**-**	-	**10,305**	3,307
Prepayments	**-**	-	**(198)**	(162)	**(198)**	(162)
Tangible assets	**-**	-	**(19,164)**	(21,425)	**(19,164)**	(21,425)
Other	**61**	490	**(2,539)**	(2,117)	**(2,478)**	(1,627)
	20,500	11,617	**(22,061)**	(23,677)	**(1,561)**	(12,060)
Net deferred income tax liability					**(12,260)**	(13,104)
Deferred income tax asset - tax loss carried forward					**10,699**	1,044
					(1,561)	(12,060)

(Currency - In thousands of U.S. Dollars unless otherwise indicated)

Deferred tax arises on the above in the following circumstances:

- property, plant and equipment: accelerated tax depreciation lead to tax bases lower than carrying amounts;
- buildings and other investments (available-for-sale and trading investments) have different tax bases and carrying amounts because revaluation is only done for accounting purposes. In the case of buildings carried at revalued amounts and of available-for-sale investments, deferred tax is taken directly to equity (except when revaluation increase or decrease is recognised in income);
- inventories may have carrying amounts lower than tax bases due to the elimination of unrealized profits on intercompany sales;
- deferred charges are in some countries allowed to be fully deducted in the period in which they are incurred whereas they may be charged to income over a longer period;
- some provisions may not be tax deductible in some countries until a payment is made to settle the obligation;
- fair value adjustments upon acquisition of a subsidiary may impact all of the above captions.

As of December 31, 2006, a deferred tax assets of USD 2,660 (2005 - USD 1,907) has not been recognised related to tax losses carried forward, which are not expected to be utilised in the foreseeable future. Tax losses of USD 355 and USD 324 will expire within 1 and 7 years, respectively, while USD 1,981 will expire between 8 and 10 years.

Movements in deferred tax during the year 2006 are as follows:

	Balance at January 1, 2006	Additions through subsidiary acquired	Disposal through subsidiary sold	Recognised in income statement	Translation effect	**Balance at December 31, 2006**
Accruals	**7,475**	-	-	1,580	737	**9,792**
Inventory	**372**	143	-	(331)	(2)	**182**
Tax loss carried forward	**3,307**	84	-	6,883	31	**10,305**
Prepayments	**(162)**	-	97	(149)	16	**(198)**
Tangible assets	**(21,425)**	5,098	199	(1,532)	(1,504)	**(19,164)**
Other	**(1,627)**	(316)	3	(543)	5	**(2,478)**
	(12,060)	**5,009**	**299**	**5,908**	**(717)**	**(1,561)**

Movements in deferred tax during the year 2005 are as follows:

	Balance at January 1, 2005	Additions through subsidiary acquired	Disposal through subsidiary sold	Recognised in income statement	Translation effect	**Balance at December 31, 2005**
Accruals	3,491	-	-	4,181	(197)	**7,475**
Inventory	718	-	-	(329)	(17)	**372**
Tax loss carried forward	8,021	-	-	(4,137)	(577)	**3,307**
Prepayments	(271)	-	-	86	23	**(162)**
Tangible assets	(17,378)	-	-	(4,879)	832	**(21,425)**
Other	(1,716)	-	-	90	(1)	**(1,627)**
	(7,135)	**-**	**-**	**(4,988)**	**63**	**(12,060)**

25. Notes to Cash Flow Statements

Cash flows from acquisition and disposal of subsidiaries:

	2006		2005	
	Acquisition	**Disposal**	Acquisition	Disposal
Cash and cash equivalents	**50,133**	**(24)**	22	-
Trade receivables	**2,670**	**(42)**	-	-
Due from related parties	**1,293**	**(9,610)**	1,758	-
Inventories-net	**27,641**	**(2,511)**	-	-
Other current assets	**16,255**	**(135)**	194	-
Property, plant and equipment-net	**206,985**	**(29,393)**	319	-
Intangible assets	**83,960**	**-**	-	-
Deferred tax assets	**5,009**	**-**	-	-
Other non-current asset	**10**	**(1,683)**	2,399	-
Trade and other payables	**(4,714)**	**2,440**	(1)	-
Due to related parties	**(1,804)**	**2,677**	(508)	-
Short-term loans	**(62,279)**	**2,813**	(6,545)	-
Other current liabilities	**(20,633)**	**1,932**	(28)	-
Income tax payable	**(4)**	**99**	-	-
Long-term debt-net of current portion	**-**	**517**	-	-
Deferred tax liability	**-**	**299**	-	-
Accumulated exchange differences	**-**	**7,825**	-	-
Fair value of net assets	**304,522**	**(24,796)**	(2,390)	-
Net assets acquired / sold	**281,196**	**(24,796)**	(2,194)	-
Recognised as decrease in retained earnings	**-**	**-**	2,294	-
Goodwill	**85,481**	**-**	-	-
Gain on sale of shares of subsidiary	**-**	**1,779**	-	-
Total purchase / sale consideration	**366,677**	**(26,575)**	100	-
Net cash acquired with subsidiary	**(50,133)**	**-**	(22)	-
Net cash sold with subsidiary	**-**	**24**	-	-
Net cash inflow / outflow for the initial acquisition	**316,544**	**(26,551)**	78	-
Disposal of an available-for-sale investment	**-**	**(155)**	-	-
Acquired minority shares of Efes Ukraine	**-**	**-**	1,677	-
Acquired minority shares of KV Group	**1,627**	**-**	-	-
Acquired minority shares of Efes Moscow	**168,494**	**-**	-	-
Net cash outflow / inflow for the period ended	**486,665**	**(26,706)**	1.755	-

The net assets acquired of USD 281,196 represents 92.3% of KV Group's net assets and net assets disposed of USD 24,796 represents 49.99% of Interbrew Efes' net assets which was consolidated on a proportionate basis till the date of disposal.

(Currency - In thousands of U.S. Dollars unless otherwise indicated)

26. Financial Instruments

Financial Risk Management

Credit risk

The credit risk of the Group is primarily attributable to its trade receivables. The Group has its credit control policies and procedures in place and the exposure to credit risk is monitored on an ongoing basis. The credit risk arising from the transactions with customers is mitigated through operating with agreed credit limits and diversification of customers. Management believes that the provisions made are sufficient to cover expected losses.

Interest rate risk

The Group mainly enters into LIBOR based contracts in its financial borrowings. As of December 31, 2006, 2% of the Group's long-term debt was at fixed rates (December 31, 2005, 19%).

The weighted average effective interest rates which are calculated from different types of currencies, as at December 31, 2006 are as follows:

Fixed rate bank loans & bonds	9.9 %
Floating rate bank loans	Applicable Base Rate + 1.7 %

Foreign exchange risk

Foreign currencies play a significant role in the economies of the territories where the most of the subsidiaries of the Company are operating. The significant part of cash outflows related to financing activities as well as some part of accounts payable balances are hard currency denominated, while cash inflows are primarily denominated in national currencies. Consequently, any significant decline in the value of the measurement currencies of the subsidiaries against U.S. Dollars may have a negative effect on the subsidiaries' financial position and results of their operations.

The subsidiaries generally do not hedge their foreign currency risks. The governments of these countries have established strict currency controls, which place restrictions on the conversion of national currencies into hard currencies and establish requirements for conversion of hard currency sales to national currencies.

Net foreign currency liability position of the Group as of December 31, 2006 is approximately USD 249 million (December 31, 2005, net foreign currency asset position of USD 0.1 million).

Liquidity risks

Liquidity risk arises from the possibility that customers may not be able to settle obligations to the Group within the normal terms of trade. To manage this risk the Group periodically assesses the financial viability of customers.

Fair Values

The fair values of trade receivables and other current assets (net of provision) and trade and other payables are estimated to approximate carrying value due to their short-term nature.

The fair values of short-term and long-term leasing obligations approximate their carrying values since they are denominated in foreign currencies and revalued at year-end exchange rates.

The fair value of long-term debt is estimated to approximate its carrying value since it is primarily denominated in foreign currencies and is revalued at year-end exchange rates, a substantial portion of long-term debt carries variable interest rates.

27. Leases

Lessee - Finance Lease

Property leased by the Group includes buildings, machinery and equipment. The most significant obligations assumed under the lease terms, other than rental payments, are the upkeep of the facilities, insurance and property taxes. Lease terms generally range from 3 to 25 years with options to renew at varying terms.

The following is an analysis of assets under finance leases:

	2006	2005
Machinery and equipment	**119**	2,056
Other tangible assets	**416**	281
Accumulated depreciation	**(159)**	(677)
Net book value	**376**	1,660

Lessee - Operating Lease

In December 2006, there is no prepayment for operating leases (2005- 1,463).

The brewery of Efes Moscow is situated on a site leased from the Moscow City Government under a 49-year lease contract to be expired by 2048. The lease rights, as well as fixed assets, are mortgaged for the full carrying amounts to secure obligations of Efes Moscow under the loan agreements with the EBRD. The fair value of the future payment obligations of Efes Moscow to Moscow City Government under the land lease agreement for the remaining life time of the contracts amount to USD 1,944 (2005 – USD 1,791)

(Currency - In thousands of U.S. Dollars unless otherwise indicated)

28. Segment Reporting

The Group's risks and rates of return are affected predominantly by the fact that it operates in different countries which is considered to be the primary segment and the secondary segment is the business. The Group is in a single product business and products other than beer represent less than 10% of the Group's sales. Segment information is presented in respect of the Group's geographical segments based on location of its assets and customers. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

	Russia & Kazakhstan		Serbia & Moldova		Others & Eliminations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
External Revenues	**566,628**	405,488	**60,653**	56,513	**11,648**	19,222	**638,929**	481,223
Gross Profit	**284,201**	202,338	**22,736**	20,253	**3,149**	5,442	**310,086**	228,033
Operating Expenses (-)	**(224,342)**	(150,845)	**(26,399)**	(23,535)	**(3,960)**	(3,948)	**(254,701)**	(178,328)
Operating Income	**59,859**	51,493	**(3,663)**	(3,282)	**(811)**	1,494	**55,385**	49,705
Financial Expense - net	**(8,229)**	(6,514)	**(1,075)**	(2,736)	**(17,249)**	(4,652)	**(26,553)**	(13,902)
Profit Before Tax	**51,630**	44,979	**(4,738)**	(6,018)	**(18,060)**	(3,158)	**28,832**	35,803
Segment Assets	**815,597**	396,784	**94,139**	79,446	**618,029**	302,511	**1,527,765**	778,741
Investment in Associates	**-**	-	**64**	167	**1,511**	1,511	**1,575**	1,678
Total Assets	**815,597**	396,784	**94,203**	79,613	**619,540**	304,022	**1,529,340**	780,419
Segment Liabilities	**259,782**	135,347	**33,777**	32,370	**463,757**	204,986	**757,316**	372,703
Purchase of property, plant and equipment	**(105,169)**	(66,898)	**(15,288)**	(17,738)	**(3,796)**	(5,229)	**(124,193)**	(89,865)
Depreciation&Amortization Expenses	**46,710**	31,094	**7,926**	6,536	**2,446**	3,754	**57,082**	41,384
Other non cash items	**532**	385	**1,778**	2,646	**(2,142)**	1,003	**168**	4,034

29.Related Party Balances and Transactions

For the purposes of the consolidated financial statements, the shareholders of the Company and their associates and the companies, which are identified to be controlled by/associated with them, are referred to as related parties.

1) Balances with Related Parties

Balances with related parties as of December 31, 2006 and 2005, which are separately classified in the consolidated balance sheet, are as follows:

Due from related parties	**2006**	2005
Efes Holland Technical Management Consultancy N.V. (Efes Holland) (2)	**2,439**	4,554
Coca-Cola Bottlers Kazakhstan Almaty (Coca-Cola Almaty) (2)	**370**	364
Coca-Cola Bishkek Bottlers C.J.S.C (Coca-Cola Bishkek) (2)	**519**	351
Mutena Maltery (3)	**147**	126
Total	**3,475**	5,395

Due from related parties	**2006**	2005
Efes Holland (2)	**15,434**	12,952
Mutena Maltery (3)	**4,327**	3,583
Oyex Handels Gmbh (2)	**1,540**	2,970
Efpa (2)	**10**	608
Anadolu Efes (1)	**118**	384
ABH (2)	**719**	-
Total	**22,148**	20,497

2) Transactions with Related Parties

Transactions with related parties are done at normal market conditions. The most significant transactions with related parties during the year ended December 31, 2006 are as follows:

Nature of Transaction	Related Party	Amount
Participation in the share rights offering by	Anadolu Efes (1)	210,661
Management and license fee expense to	Efes Holland (2)	6,102
Sale of beer to;	Coca-Cola Bishkek (2)	938
Sale of beer to;	Coca-Cola Almaty (2)	10,862
Purchase of soda drinks from;	Coca-Cola Almaty (2)	775
Purchase of raw materials from;	Oyex Handels Gmbh (2)	6,062
Purchase of beer from;	Anadolu Efes (1)	201
Processing services from;	Mutena Maltery (3)	5,637
Heating and water services given to;	Mutena Maltery (3)	1,141
Purchase of other materials from;	Coca-Cola Astana (2)	21
Purchase of service from;	ABH (2)	432

(1) The ultimate shareholder of the Company

(2) Related party of Anadolu Efes

(3) Company's investment

3) Emoluments of the Board of Directors

a) The remuneration of management board of USD 125 (2005 – USD 85) and supervisory board of USD 284 (2005 – USD 259) were included in personnel expenses.
b) No shares are held by the members of directors of the Company.
c) There are no share options granted to the directors of the Company.
d) No loans have been granted to the directors of the Company.

30. Commitments and Contingencies

Put options

A put option has been granted to the EBRD by the Company that may be exercisable between 2008 and 2011. By such put option, the EBRD will be entitled to sell its 8.8% of Efes Moscow shares to the Company at an option price to be determined by an independent valuation.

A put option has been granted to the OAO Krasny Vostok Agro that may be exercisable between 2007 and 2009. By such option, OAO Krasny Vostok Agro will have right to sell its 6.7% of KV Group shares to the Company at an option price either at in full USD 0.395 multiplied by number of shares plus interest accrued from the date of the option until the date of completion at a rate of LIBOR plus 4.9% or the consolidated EBITDA multiplied by a multiple of nine minus net indebtedness.

Following revised IAS 32 (Financial Instruments: Disclosure and Presentation), the obligation for the participating interest related with put options have been regarded as ‘liability for puttable instruments’ in the Group’s financial statements, to be stated at fair value. The liability for the put option has been measured by applying a weighting of different valuation techniques based on best estimates currently available. Subsequent changes to the valuation of the put options have been recorded as changes to ‘liability for puttable instruments’ and to goodwill, without any direct impact on the consolidated income statement.

The contingent considerations related with the put options granted to EBRD and OAO Krasny Vostok Agro of USD 103,100 (2005 - USD 76,601) and USD 24,202 (2005 - nil) have been presented as ‘liability for puttable instruments’ in other non-current liabilities and other current liabilities in the consolidated balance sheet, respectively. In order to give effect to the recognition of the liability for puttable instruments, the equity and net income attributable to the interest of minority shareholders of Efes Moscow and KV Group have been decreased by 8.8% and 6.7%, respectively. The excess of the liability for puttable instruments over the fair value of net assets of Efes Moscow and KV Group amounting to USD 85,089 (2005 - USD 58,322) and USD 3,799 (2005 - nil) have been recognised as goodwill in the consolidated balance sheet.

The variation in the ‘liability for puttable instruments’ reflects (i) an increase in the liability of USD 26,767 related to the reassessment of the contingent consideration for put option granted to EBRD (leading to an increase in the goodwill of USD 26,767) and (ii) a decrease in the liability of USD 268 due to dividends paid to EBRD.

Call option

A call option has been granted to the Company by EL&EL without a time limitation. By such option, the Company has the option to request EL&EL to sell all or any part of its 0.39% of Efes Moscow shares to the Company at a price equal to USD 4,602. The consideration related with the call option has been recognised as 'other short-term payables' in the consolidated balance sheet. In order to give effect to the recognition of the call option, the equity and net income attributable to the interest of minority shareholders of Efes Moscow has been decreased by 0.39%. The excess of the consideration over the fair value of net assets of Efes Moscow amounting to USD 3,539 has been recognised as goodwill in the consolidated balance sheet.

Tax and legal matters

Legislation and regulations regarding taxation and foreign currency transactions in most of the territories in which the Group operates continue to evolve as the government manages the transformation from a command to a market-oriented economy. Various regulations are not always clearly written and their interpretation is subject to the opinions of the local, regional and national tax authorities, the Central Bank and Ministry of Finance. Tax declarations, together with other legal compliance areas (for example, customs and currency control matters) are subject to review and investigation by a number of authorities, who are enabled by law to impose significant fines, penalties and interest charges. These facts create tax risks in the territories in which the Group operates substantially more than typically found in countries with more developed tax systems.

Management believes that all applicable taxes have been paid or accrued and the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group.

31. Subsequent Events

In February 2007, Efes Vitanta, subsidiary of the Company in Moldova, reached an agreement with The Coca-Cola Company ("TCCC") to sell Efes Vitanta's soft drink brand called "Viva" as well as "Real" brand of bottled water to TCCC.

In March 2007, Efes Moscow, subsidiary of the Company in Russia, announced their preparations for Rouble bond issue which will be used to restructure the existing financial debt with keeping the same overall indebtedness of the Company.

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